OFFERING MEMORANDUM

ESTADO PLURINACIONAL DE BOLIVIA

U.S.$500,000,000 4.875% Notes Due 2022

The U.S.$500,000,000 4.875% notes due 2022 (the "Notes") are being offered by the Estado Plurinacional de Bolivia (the "Issuer," the "Government," "Bolivia," "we," "us," and "our"). The Notes will constitute unconditional, unsecured and unsubordinated external indebtedness of Bolivia and will not be promissory notes (*pagarés*) under Bolivian law. The Notes will mature on October 29, 2022. The Notes will bear interest at a rate of 4.875% per year and will be payable on April 29 and October 29 of each year, or if such date is not a Business Day (as defined herein) on the next succeeding Business Day (without any additional interest being payable as a result of such delay) (each, a "Payment Date"). The first Payment Date will be April 29, 2013.

The Notes will rank at all times equally with all of our existing and future senior unsecured indebtedness (other than obligations preferred by statute or by operation of law).

The Notes contain provisions, commonly known as "collective action clauses," under which we may amend or obtain waivers of the payment provisions of the Notes and certain other terms with the consent of holders of 75% of the aggregate principal amount of the outstanding Notes. See "Description of the Notes—Meetings and Amendments—Approval (Collective Action Securities)." Bolivia may redeem the Notes, in whole or in part, at any time by paying the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) a "make-whole" amount, plus in each case accrued and unpaid interest to the redemption date, as described under "Description of the Notes—Optional Redemption."

For a more detailed description of the Notes, see "Description of Notes" beginning on page 125.

Investment in the Notes involves risks. See "Risk Factors" beginning on page 12 of this offering memorandum (the "Offering Memorandum").

Issue Price: 100.00% plus accrued interest, if any, from October 29, 2012.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), AND MAY ONLY BE OFFERED OR SOLD WITHIN THE UNITED STATES OF AMERICA TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR OUTSIDE THE UNITED STATES OF AMERICA TO NON-U.S. PERSONS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR REGULATION S. FOR CERTAIN RESTRICTIONS ON RESALES, SEE "TRANSFER RESTRICTIONS."

ANY OFFER OR SALE OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") THAT HAS IMPLEMENTED DIRECTIVE 2003/71/EC (THE "PROSPECTUS DIRECTIVE") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and trading on the Euro MTF Market. This Offering Memorandum can only be used for the purposes for which it was published. This Offering Memorandum constitutes a prospectus for the purposes of the Luxembourg Law on prospectuses for securities, dated July 10, 2005, as amended.

The Initial Purchasers expect to deliver the Notes to purchasers in book-entry form only through the facilities of The Depository Trust Company ("DTC"), Euroclear Bank, S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme Luxembourg ("Clearstream") on or about October 29, 2012.

Joint Lead Managers

BofA Merrill Lynch　　　　Goldman, Sachs & Co.

The date of this Offering Memorandum is October 22, 2012.

SOUTH AMERICA

BOLIVIA

Source: http://www.worldofmaps.net/

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ABOUT THIS OFFERING MEMORANDUM

In this Offering Memorandum, the "Issuer," the "Government," or "Bolivia," "we," "us," and "our" refer to the Estado Plurinacional de Bolivia. As used in this Offering Memorandum, "Business Day" means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions are authorized or obligated by law to close in New York City, United States of America, or La Paz, Bolivia.

In making an investment decision, you should only rely on the information contained in this Offering Memorandum. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. will act as initial purchasers with respect to the offering of the Notes (the "Initial Purchasers"). We have not and the Initial Purchasers have not, authorized anyone to provide you with different information. Neither we nor the Initial Purchasers are making an offer of the Notes in any jurisdiction where the offer is not permitted.

We, having made all reasonable inquiries, confirm that as of the date on the front cover of this Offering Memorandum the information contained in this Offering Memorandum with regards to Bolivia is true and accurate in all material respects, that the opinions and intentions we express in this Offering Memorandum are honestly held, and that there are no other facts the omission of which would make this Offering Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility for the Offering Memorandum accordingly.

This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth in this Offering Memorandum is correct as of any date subsequent to the date of this Offering Memorandum.

NOTICE TO INVESTORS

In making an investment decision, you must rely on your own examination of Bolivia and the terms of this offering, including the merits and risks involved. The Notes have not been recommended by the U.S. Securities and Exchange Commission ("SEC") or any state or foreign securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

The Notes may not be transferred or resold except as permitted under the U.S. Securities Act and related regulations and applicable state securities laws. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in this Offering Memorandum under this caption "Notice to Investors." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This Offering Memorandum may only be used for the purpose for which it has been published. Neither the Initial Purchasers nor any of their agents is making any representation or warranty as to the accuracy or completeness of the information contained in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the Initial Purchasers nor any of their agents has independently verified any of such information and assumes no responsibility for the accuracy or completeness of the information contained in this Offering Memorandum.

This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Offering Memorandum and the purchase, offer or sale of the Notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the Initial Purchasers or their agents have any responsibility therefor. See "Transfer Restrictions" for information concerning some of the transfer restrictions applicable to the Notes.

You acknowledge and agree that:

- the Notes have not been and will not be registered under the Securities Act or any country's or state's securities laws and may not be reoffered, resold, pledged or otherwise transferred except as described under "Transfer Restrictions;"
- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this Offering Memorandum;
- you have not relied on the Initial Purchasers or their agents or any person affiliated with the Initial Purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision;
- the Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering

Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers;

- no person has been authorized to give any information or to make any representation concerning us or the Notes other than those in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers or their agents;

- if you are purchasing the Notes pursuant to Rule 144A, you are purchasing the Notes for your own account with respect to which you exercise sole investment discretion and you are a qualified institutional buyer (as defined in Rule 144A) or you are purchasing the Notes for the account of a qualified institutional buyer in compliance with Rule 144A; and

- if you are outside the United States of America and purchasing the Notes through an offshore transaction in reliance on Regulation S, you are not purchasing the Notes with a view to distribution thereof in the United States of America.

See "Risk Factors," following the "Summary," for a description of certain factors relating to an investment in the Notes. None of us, the Initial Purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

Notwithstanding anything in this Offering Memorandum to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

To ensure compliance with Treasury Department Circular 230, holders of the Notes are hereby notified that: (a) any discussion of federal tax issues in this document is not intended or written to be relied upon, and cannot be relied upon, by holders of the Notes for the purpose of avoiding penalties that may be imposed on holders of the Notes under the Internal Revenue Code; (b) such discussion is included herein by Bolivia in connection with the promotion or marketing (within the meaning of Circular 230) by Bolivia of the transactions addressed herein; and (c) holders of the Notes should seek advice based on their particular circumstances from an independent tax advisor.

The distribution of this Offering Memorandum and the offering of the Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons who come into possession of this Offering Memorandum are required by the Issuer, the Trustee (as defined in the "Description of the Notes") and the Initial Purchasers to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or beneficial interests therein) in any jurisdiction in which such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer and sale of the Notes (or beneficial interests therein) in the European Economic Area, the United Kingdom and the United States of America. See "Transfer Restrictions."

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A OFFERING MEMORANDUM OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

PRESENTATION OF CERTAIN INFORMATION

Our fiscal year ends on December 31 of each year. The fiscal year ended December 31, 2011 is referred to in this Offering Memorandum as "2011" and other years are referred to in a similar manner. Certain percentages and amounts in this Offering Memorandum have been rounded for ease of presentation. Certain totals, percentages and other amounts in this Offering Memorandum may not sum due to rounding. The abbreviation "n.a." means "not available."

In this Offering Memorandum, all references to the "boliviano" or "Bs." are to the lawful currency of Bolivia. Unless otherwise specified herein, amounts in Bolivian currency are expressed herein in boliviano. All references to "U.S. dollars," "dollars" or "U.S.$" are to United States dollars, the lawful currency of the United States of America.

Certain amounts stated herein in U.S. dollars have been translated, for the convenience of the reader, from bolivianos at the rate in effect on December 30, 2011 of Bs.6.86 = U.S.$1.00. See "Exchange Rates." Such translations should not be construed as a representation that the boliviano could have been converted at such rate on such date or at any other time.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Our estimates and forward-looking statements are based on our current expectations and projections of future events and trends, which affect or may affect us. Words such as "believe," "anticipate," "plan," "expect," "target," "estimate," "project," "predict," "forecast," "guideline," "should," "aim," "continue," "could," "guidance," "may," "potential," "will," as well as similar expressions and the negative of such expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements.

These forward-looking statements are subject to numerous risks and uncertainties. There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond our control, including, but not limited to, information identified in "Risk Factors," "Bolivia," "The Bolivian Economy," "The External Economy," "Public Finance," "Public Debt," and "The Monetary System," as well as:

- External factors, such as:
    - lower petroleum and mineral prices, which could adversely affect our economy, fiscal accounts and international reserves;
    - damage to and volatility in the international capital markets for emerging markets issuers caused by economic conditions in other emerging markets and the international capital markets generally, which could affect our ability to engage in planned borrowing;
    - changes in import tariffs and exchange rates of other countries, which could harm our exports and, as a consequence, have a negative impact on the growth of our economy;
    - recession or low growth in the economies of our trading partners, particularly of Argentina and Brazil, which could lead to fewer exports and affect our growth;
    - a deterioration in relations between us and other countries in the region or other disruptions to our international relations;
    - higher international interest rates, which could increase our debt service requirements and require a shift in budgetary expenditures toward additional debt service; and
    - terrorist attacks in the United States of America or elsewhere, acts of war, any general slowdown in the U.S. or global economies.
- Internal factors, such as:
    - social and political unrest in Bolivia;
    - our ability to continue to attract foreign investment;
    - continued public support for our current economic policies;
    - our level of domestic debt;

- general economic and business conditions in Bolivia, including a decline in foreign direct investment, high domestic inflation, high domestic interest rates and volatile unemployment levels, each of which could lead to lower levels of growth, lower international reserves and diminish our access to international capital markets; and

- other factors identified or discussed under "Risk Factors."

You should not place undue reliance on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. Because of the risks and uncertainties involved, you should not make any investment decision based on the estimates and forward-looking statements. All forward-looking statements and risk factors included in this Offering Memorandum are made as of the date on the front cover of this Offering Memorandum, based on information available to us as of such date, and we assume no obligation to update any forward-looking statement or risk factor.

ENFORCEMENT OF CIVIL LIABILITIES

It may be difficult for investors to obtain or realize upon judgments of courts in the United States of America against us. We are a foreign sovereign government, generally immune from lawsuits and from the enforcement of judgments under United States of America law. Foreign sovereign governments, however, may waive this immunity and limited exceptions to this immunity are set forth in the U.S. Foreign Sovereign Immunities Act of 1976, or the "U.S. Immunities Act." In addition, substantially all of our assets are located outside of the United States of America, and all of our representatives and certain other parties named herein reside outside the United States of America and substantially all of the assets of such persons are located outside the United States of America.

Except as provided below and as may result from the application of Paragraph II of Article 339 of the Bolivian Political Constitution, which provides that the patrimonial assets of the Bolivian state and public entities are the inalienable property of the Bolivian people, to the extent that we or any of our assets may have, or may hereafter become entitled to or have attributed to it (whether or not claimed), any right of immunity on the grounds of sovereignty (including under the U.S. Immunities Act) or otherwise, from any action, suit or proceeding, from setoff or counterclaim, from the jurisdiction of any court, from service of process upon it or any agent, from attachment upon or in aid of execution of judgment or from execution of judgment or other legal process or proceeding for the giving of any relief or for the enforcement of judgments, whether in the United States of America or Bolivia, we have, to the fullest extent permitted by applicable law, waived and agreed not to assert any such immunity for ourselves, our property, assets or revenues, wherever located with respect to our obligations, liabilities or any other matter under or arising out of or in connection with the Indenture (as defined in "Description of the Notes") and the Notes. However, we reserve the right to plead sovereign immunity under the U.S. Immunities Act with respect to actions brought against us under United States of America federal securities laws or any state securities laws. In the absence of a waiver of immunity by us with respect to such actions, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that we are not entitled to sovereign immunity under the U.S. Immunities Act with respect to that action. Moreover, you may not be able to enforce a judgment obtained under the U.S. Immunities Act against our property located in the United States of America except under the limited circumstances specified in the U.S. Immunities Act. As a result, holders of the Notes may be required to pursue such claims against us in Bolivia and under Bolivian law.

In addition, Clause 10 of Article 179 of Chapter 10 of the Bolivian Code of Civil Procedure provides that public service assets belonging to the Bolivian state, municipalities and universities are guaranteed against seizure. Article 3 of the Regulation for the Registration, Registration Control and Certification of the Bolivian State provides that assets are property of the Government when acquired with (1) its own assets; (2) funds from the General National Treasury; (3) resources from international cooperation; (4) funds generated from bond issuances; (5) acquired by consulates or embassies abroad on behalf of the Bolivian state; or (6) transferred by any institution, project, cooperating program, non-governmental organization, foundation, individual or company by donation, debt payment, management, trust, rent or bailment.

We will, in the Indenture (as defined in "Description of the Notes") and in the Notes, irrevocably submit to the jurisdiction of any New York State or U.S. federal court in the Borough of Manhattan, the City of New York, in respect of any claim or action arising out of or based upon the Indenture or the Notes which may be instituted by any holder of Notes, such as, for example, a claim for breach of any obligation under the Indenture or the Notes. We have appointed the Consul of Bolivia in the City of New York (currently located at 211 East 43rd Street, Suite 1004, New York, NY 10017) as our agent upon which process may be served, and agree that for so long as any Note remains outstanding the person from time to time so acting, or discharging such functions, will be deemed to have been appointed as our process agent (the "Process Agent"), in any claim or action arising out of or based upon the Notes or the Indenture which a holder may institute in any New York State or U.S. federal court in the City of New York. Any process or other legal summons in connection with any such action may be served upon us by delivery to the Process Agent or by any other means that may have become permissible under the laws of the State of New York and Bolivia at the time of such service.

We believe that final and conclusive judgments against us for the payment of a sum of money rendered by a U.S. federal or New York State court with respect to the Notes may be enforced in Bolivia by a Bolivian court against us without reconsideration of the merits, provided that the following requirements are met:

- the judgment does not resolve matters under the exclusive jurisdiction of Bolivian courts (such as matters involving Bolivian real estate property);
- such court had jurisdiction under its own rules and general principles of international procedural jurisdiction;
- the defendant was served in accordance with the laws of the place where the proceeding took place, was granted reasonable opportunity to appear before such foreign court, and was guaranteed due process rights;
- the judgment has the status of *res judicata* as defined in the jurisdiction of the court rendering such judgment;
- there is no pending litigation in Bolivia between the same parties for the same dispute, which shall have been initiated before the commencement of the proceeding that concluded with the foreign judgment;
- the judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Bolivian law and such foreign judgment was rendered first;
- the judgment is not contrary to public order or good morals or Bolivian law;
- it is not proven that foreign courts of the country from which a court judgment is rendered deny enforcement of Bolivian judgments or engages in a review of the merits thereof;
- an "exequatur" proceeding under Bolivian law, for the recognition and enforcement of the New York court judgment, is followed;
- such judgment has been certified by Bolivian consular authorities and is accompanied by a certified and officially translated copy of such judgment into Spanish; and
- payment of the applicable court taxes or filing fees.

Notwithstanding the above, the execution by Bolivian courts of any judgment ordering payment of any principal or interest arising from the Notes by Bolivia will be subject to availability of funds according to the statute passed by the Plurinational Legislative Assembly setting forth the budget corresponding to the fiscal year on which such payment is to be due or as amended.

SUMMARY

The following is a summary of certain information contained elsewhere in this Offering Memorandum. Reference is made to, and this information is qualified in its entirety by, the more detailed information contained elsewhere in this Offering Memorandum.

Bolivia

Bolivia is a representative democracy located in the Andes Mountains and the Amazon region of central-western South America, with an estimated population of approximately 10.6 million as of December 31, 2011. The election of president Juan Evo Morales Ayma in 2006 initiated a period of broadening the role of the state in economic affairs and focusing on our social policies. The current constitution, which was enacted on February 7, 2009 (the "Bolivian Political Constitution"), is aimed at, among other things, empowering previously excluded groups, promoting greater decentralization and broadening social participation. Various new social welfare programs have been implemented since the Constitution was adopted. Also, the hydrocarbons, energy and telecommunications sectors and the cement industry have been partially nationalized, and state firms have been created to assist in the development of various other productive sectors, improve the provision of some public services and promote food security.

We are committed to eradicating poverty by promoting equitable economic distribution patterns and equal opportunities and we have created cash transfer programs that have been instrumental in reducing extreme poverty from 38.2% in 2005 to 24.3% in 2011 and moderate poverty from 60.6% in 2005 to 48.5% in 2011. We have implemented these social welfare programs to target sectors of the population that allow the redistribution of tax revenues to the neediest and most vulnerable sectors of our population. Among the most important of these programs are the Dignity Pension program, the Juancito Pinto cash transfer program and the Juana Azurduy voucher program, which together have benefited 31% of the Bolivian population since 2006.

Bolivian Economy

Beginning with the administration of President Morales in 2006, we have implemented a new economic, social, communitarian and productive model in which the public sector actively participates in boosting economic growth by channeling investment and creating state enterprises. Despite the global financial crisis that began in 2008, we generally benefited from favorable economic conditions between 2006 and March 2012. Our economy and public finances strengthened significantly during this time as a result of real GDP growth, higher exports, higher hydrocarbon production, and fiscal austerity measures such as lowering the salaries of Government employees, including the President, and increasing financial transparency through the elimination of reserve funds for public authorities.

Real GDP grew by 5.2% in 2011, compared to 4.1% and 3.4% in 2010 and 2009, respectively, which was primarily the result of higher hydrocarbons production and manufacturing. Of the 5.2% growth in real GDP in 2011, 4.6% was due to domestic demand growth and 0.6% was due to external demand growth, compared to 1.2% and 2.9%, respectively, in 2010. The increase in domestic demand was primarily the result of increased household consumption and public and private investment. Real GDP grew by 5.2% in the first three months of 2012, compared to 5.8% during the same period in 2011. Twelve-month inflation dropped slightly in 2011 to 6.9%, compared to 7.2% in 2010 and 0.3% in 2009.

The petroleum and natural gas sector accounted for 6.1% of real GDP in 2011, 6.0% in 2010 and 5.5% in 2009. The petroleum and natural gas sector accounted for 6.4% of real GDP in the first three months of 2012 and 6.3% in the same period in 2011. In 2011, the petroleum and natural gas sector grew by 7.2%, compared to growth of 13.9% in 2010 and a decline of 13.5% in 2009. These changes were primarily the result of changes in the price of petroleum and natural gas and the recovery of the economies of Argentina and Brazil. The petroleum and natural gas sector grew by 7.7% in the first three months of 2012, compared to 14.8% in the same period in 2011. The minerals sector accounted for 6.1% of real GDP in 2011, 6.2% in 2010 and 6.7% in 2009. The minerals sector accounted for 5.8% of real GDP in the first three months of 2012 and 6.5% in the same period in 2011. In 2011, the mining sector rebounded considerably from 2010, registering growth of 3.4% in 2011 after declining by 4.1% in 2010 and increasing by 9.9% in 2009. This increase in 2011 was primarily the result of an increase in lead, zinc, gold and tin mining. The minerals sector declined by 6.7% in the first three months of 2012, compared to growth of 1.2% in the same period in 2011, primarily due to heavy rains that hindered production, a decrease in the purity of silver, lead and zinc extracted and the depletion of certain mineral veins, principally gold.

External Economy

During 2011, we benefited from the gradual recovery of international commodity and energy prices and export volumes to Brazil. Net international reserves held by the Central Bank increased from U.S.$8,580.1 million and U.S.$9,729.7 million in 2009 and 2010, respectively, to U.S.$12,018.5 million in 2011. In addition, private investment reached its highest levels in 12 years during 2011, totaling Bs.3,295.0 million, an increase of 31% as compared to Bs.2,509.7 million in 2010.

The current account balance rose from a surplus of U.S.$745.8 million in 2009 to a surplus of U.S.$968.6 million in 2010, but decreased to a surplus of U.S.$537.2 million in 2011, while the capital and financial account rose from a deficit of U.S.$28.7 million in 2009 to surpluses of U.S.$916.9 million and U.S.$1,528.4 million in 2010 and 2011, respectively. Overall balance of payments has risen since 2009, from a surplus of U.S.$325.2 million in 2009 to surpluses of U.S.$923.0 million and U.S.$2,160.0 million in 2010 and 2011, respectively. The increase in the overall balance of payments in 2011 is primarily accounted for by a U.S.$1,056.9 million absolute value change in the errors and omissions account.

Despite the fragility of the global economy during the first three months of 2012, both the current account and the capital and financial account balance recorded a surplus. Net international reserves held by the Central Bank increased to U.S.$12,439.8 million as of June 30, 2012. The current account balance rose from a surplus of U.S.$143.7 million during the first three months of 2011 to a surplus of U.S.$171.0 million during the same period in 2012, while the capital and financial account decreased from a surplus of U.S.$576.9 million during the first three months of 2011 to a surplus of U.S.$487.0 million during the same period in 2012. Overall balance of payments decreased from a surplus of U.S.$635.4 million during the first three months of 2011 to a surplus of U.S.$515.5 million during the same period in 2012.

Exports in 2011 totaled U.S.$9,167.2 million, an increase of 30.2% as compared to U.S.$7,038.2 million in 2010, while imports in 2011 totaled U.S.$7,672.7 million, an increase of 42.3% as compared to U.S.$5,393.3 million in 2010. This increase in exports was primarily the result of higher commodity prices and higher export sales volumes, while the increase in imports was primarily the result of higher purchases of raw materials, intermediate products and capital goods, which accounted for 77.3% of total imports, mainly for industry and agriculture. Exports in the first three months of 2012 totaled U.S.$1,864.2 million, an increase of 20.6% as compared to the same period in 2011. This increase was primarily due to higher imports of capital and intermediate goods, which accounted for approximately 80% of total imports and are primarily used in agriculture, industry and transportation.

Hydrocarbon exports, which accounted for 44.9% of total exports in 2011, reached U.S.$4,114.5 million in 2011, an increase of 37.7% as compared to U.S.$2,987.3 million 2010.

Hydrocarbon exports, which accounted for 57.6% of total exports in the first three months of 2012, reached U.S.$1,201.6 million during the first three months of 2012, an increase of 44.1% as compared to U.S.$833.8 million during the same period in 2011.

The continued growth in national disposable income and domestic demand enabled imports to increase in 2011. Imports totaled U.S.$7,672.7 million in 2011, an increase of 42.3% as compared to U.S.$5,393.3 million in 2010. Of total imports in 2011, 77.3% were for the purchase of capital goods, intermediate goods and raw materials for the expansion of the economy's productive capacity while only 22.3% were for the purchase of consumer goods. Imports totaled U.S.$1,864.2 in the first three months of 2012, an increase of 20.6% as compared to U.S.$1,545.3 million in the same period in 2011. Of total imports in the first three months of 2012, 78.8% were for the purchase of capital goods, intermediate goods and raw materials for the expansion of the economy's productive capacity while only 20.0% were for the purchase of consumer goods.

Net foreign direct investment increased to U.S.$858.9 million in 2011, from U.S.$671.8 million in 2010 and U.S.$425.7 million in 2009, despite nationalizations that have occurred and compensation we have paid in connection with such nationalizations. This increase was principally directed to the hydrocarbon, mining and industry sectors, which accounted for 37.2%, 23.1% and 21.0% of total gross foreign direct investment, respectively, in 2011. Net foreign direct investment reached U.S.$278.6 million in the first three months of 2012, an increase of 38.5% as compared to U.S.$201.1 million in the same period in 2011, which was primarily directed to the hydrocarbon and mining sectors.

Gross foreign direct investment in the hydrocarbon sector reached U.S.$383.9 million in 2011, an increase of 23.8% as compared to 2010, while gross foreign direct investment in the mining and industry sectors reached U.S$238.4 million and U.S.$216.7 million, respectively, in 2011, an increase of 8.5% and a decrease of 22.7%, respectively, from 2010. Gross foreign direct investment in the hydrocarbon sector reached U.S.$123.6 million in the first three months of 2012, an increase of 47.1% as compared to the same period in 2011, while gross foreign direct investment in the mining and industry sectors reached U.S$19.1 million and U.S.$84.8 million, respectively, in the first three months of 2012, decreases of 1.5% and 3.1%, respectively, from 2010.

Monetary System

In 2011, the monetary aggregates of the economy, which measure the total value of the money supply within the economy, expanded primarily for two reasons: (1) the expansion of real economic activity and (2) the process of increasing the use of the national currency in the financial system, known as "bolivianization" (de-dollarization). This expansion of monetary aggregates did not produce imbalances in the currency markets. The monetary base expanded by 28.2% in 2011, which, with respect to origin, was primarily the result of the increase in net international reserves. The monetary base contracted by 10.2% during the first six months of 2012, which was primarily due to the accumulation of deposits from the public sector and open market operations.

The Central Bank establishes an annual monetary program that includes specific policies aimed at fulfilling the objectives set out in the Bolivian Political Constitution to maintain the stability of domestic purchasing power through low and stable inflation. The monetary program is one of the pillars of the formulation of monetary policy and is part of the annual macroeconomic program developed jointly between the Ministry of Economy and Public Finance and the Central Bank, which sets goals for five macroeconomic variables: results of the non-financial public sector, the internal financing of the non-financial public sector, net domestic credit of the Central Bank to the non-financial public sector, total net domestic credit of the Central Bank and net international reserves.

In 2011, the borrowing interest rates of the financial system in national currency were above those recorded in 2010, but still at low levels. This increase was primarily the result of the agreement between the executive branch and the banking sector to promote the interest rates of deposits, the low increase in liquidity (which remained at levels similar to those in 2009) and the direct offering of securities by the Central Bank that provided more attractive returns than those offered by financial institutions. However, the interest rates for foreign currency deposits declined slightly in 2011 and were at levels lower than those reported in national currency, which encouraged savings in bolivianos.

The 12-month inflation rate as of December 31, 2011 was 6.9%, compared to 7.2% as of December 31, 2010 and 0.3% as of December 31, 2009. The highest monthly inflation rates in 2011 occurred during the first three months, which was primarily the result of the external factors of high international agricultural commodity prices and the appreciation of currencies in the region. Internal factors contributing to inflation during the first three months of 2011 were a lower supply of agricultural products caused by adverse weather conditions in the winter of 2010 and early 2011 and the side effects of the temporary leveling of liquid fuel prices in January 2011 that increased food price and inflationary expectations.

In the first half of 2012, inflation has been low and stable. Twelve month inflation in the first quarter of 2012 continued the downward trend that began in July 2011, reaching 4.0% in March 2012. Price variations entered an adjustment phase in April 2012, and twelve month inflation reached 4.5% in the first half of 2012. The trend in twelve month inflation during the first half of 2012 was generally the result of the following internal and external factors: (1) an adjustment of prices in the service sector; (2) general food price stability; (3) reduced inflationary pressures from external sources, in line with the behavior of international commodity markets; and (4) anchored public expectations.

Public Finances

After 66 years of fiscal deficits, the non-financial public sector has registered an average annual surplus of 2% of GDP since 2006. This surplus is primarily the result of new income policies that have been implemented since 2006, the nationalization of the hydrocarbons sector, public company operations and tightly controlled current spending. In 2011, the non-financial public sector surplus reached Bs.1,382.0 million, or 0.8% of GDP, as a result of the dynamism of the economy, greater tax efficiency, increased hydrocarbon revenues due to increased natural gas sales to Argentina and Brazil, and an increase in the sales of goods and services by non-hydrocarbon public companies.

Since 2007, revenue has significantly increased on average, reaching Bs.75,614.6 million in 2011, an increase of 22.8% as compared to Bs.61,572.4 million in 2010. This increase was primarily the result of the 23.7% increase in current revenue in 2011, which is itself the result of increased tax revenues, increased natural gas sales to Argentina and Brazil, and increased revenues by non-hydrocarbon public companies. Of total revenue in 2011, 40.8% was from hydrocarbon sales and 38.9% was from non-hydrocarbon taxes. Total expenditures in 2011 reached Bs.74,232.5 million, an increase of 25.3% as compared to Bs.59,256.6 million in 2010. This was primarily the result of the approximately 50% increase in capital expenditures and the higher current expenditures as compared to 2010.

The 2012 Government Budget has an expansive and productive character, and does not restrict social benefits, such as payments under the Dignity Pension program, the Juancito Pinto cash transfer program or the Juana Azurduy Voucher program. The 2012 Government Budget also promotes productive investment in state enterprises. Consolidated non-financial public sector revenue is budgeted at Bs.76,696.5 million, Bs.75,832.8 million of which is current revenue and Bs.863.7 million of which is capital revenue. Non-hydrocarbon tax revenue and hydrocarbon sales revenue are budgeted at Bs.32,642.4 million and Bs.28,503.3 million, respectively, and represent 43.0% and 37.6% of budgeted current revenues, respectively. In keeping with our budgets since 2006, we have budgeted a

Bs.7,057.7 million deficit for the consolidated non-financial public sector in 2012 due to a set of conservative revenue assumptions upon which the budget is based, including relatively low prices for hydrocarbons. Nonetheless, we have recorded fiscal surpluses for the consolidated non-financial public sector at the close of each fiscal year since 2006 despite the budgeted deficits. Consolidated non-financial public sector expenditures are budgeted at Bs.83,754.2 million, Bs.59,228.6 million of which is budgeted for current expenditures and Bs.24,525.6 million of which is capital expenditures. Goods and services expenditures and personal services expenditures are budgeted at Bs.26,862.9 million and Bs.18,487.3 million, respectively, and represent 45.4% and 31.2% of budgeted current expenditures, respectively.

Public Sector Indebtedness

As of December 31, 2011, our total outstanding public debt was U.S.$8,628.4 million, an increase of 11.0% as compared to U.S.$7,771.3 million as of December 31, 2010. As of June 30, 2012, our total outstanding public debt was U.S.$8,856.1 million, an increase of 2.6% as compared to U.S.$8,628.4 million as of December 31, 2011.

Our gross public debt (domestic and external) has fallen significantly over the last decade, benefiting from the Multilateral Debt Relief Initiative program (the "MDRI program") and fiscal surpluses. The portfolio composition of our total public debt has also changed significantly over the past decade. In 2000, our total public debt balance was composed of 20% domestic debt and 80% external debt. This substantially reversed in 2011 as domestic debt increased to 58.5% of total public debt and external debt decreased to only 41.5% of total public debt, which was primarily the result of policies implemented by the Government, various external debt relief programs, excess liquidity in the domestic financial market and increased confidence by the domestic financial market in our management of fiscal accounts.

Our credit ratings by Standard & Poor's, Moody's, and Fitch Ratings have gradually improved over the last decade. On October 20, 2003, we had a B- with negative outlook long-term foreign- and local-currency sovereign credit rating from Standard & Poor's, which increased to a B with positive outlook on May 6 2010, a B+ with stable outlook on May 19, 2011, a B+ with positive outlook on August 22, 2011 and a BB- with stable outlook on May 18, 2012. Moody's gave us a local and foreign currency government bond rating of B3 on April 16, 2003, B2 on September 28, 2009, B1 with stable outlook on December 2, 2010, B1 with positive outlook on December 12, 2011 and Ba3 with stable outlook on June 8, 2012. Our foreign and national currency Issuer Default Rating ("IDR") by Fitch Ratings on March 17, 2004, was B-, and it increased to B on September 8, 2009, B+ with stable outlook on October 5, 2010, and BB- on October 2, 2012. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Our total public external debt due as of December 31, 2011 was U.S.$3,585.3 million, an increase of 17.2% as compared to U.S.$3,059.1 million as of December 31, 2010. Our medium- and long-term public external debt, which accounted for 97.4% of our total public external debt as of December 31, 2011, was U.S.$3,493.5 million as of December 31, 2011, an increase of 20.8% as compared to U.S.$2,892.3 million as of December 31, 2010, and our short-term public external debt, which accounted for 2.6% of our total public external debt as of December 31, 2011, was U.S.$91.8 million as of December 31, 2011, a decrease of 45.0% as compared to U.S.$166.8 million as of December 31, 2010. Medium- and long-term public external debt disbursements in 2011 totaled U.S.$777.6 million in 2011, an increase of 41.8% as compared to U.S.$548.4 million in 2010. We had no guaranteed public external debt as of December 31, 2011.

Our total public external debt due as of June 30, 2012 was U.S.$3,703.8 million, an increase of 3.3% as compared to December 31, 2011. Our medium- and long-term public external debt, which accounted for 97.7% of our total public external debt as of June 30, 2012, was U.S.$3,620.4 million as of June 30, 2012, an increase of 3.6% as compared to December 31, 2011, and our short-term public external debt, which accounted for 2.3% of our total public external debt as of June 30, 2012, was U.S.$83.4 million as of June 30, 2012, a decrease of 9.15% as compared to December 31, 2011. We had no guaranteed public external debt as of June 30, 2012.

As a result of a significant decrease in the medium- and long-term external debt balance and the growth of GDP, exports and reserves, our medium- and long-term external debt ratios have improved steadily since 2006. With regard to the sustainability of debt, the most important ratios we consider are our medium- and long-term external debt service-to-exports ratio, our balance of medium- and long-term external debt-to-exports ratio, and our balance of medium- and long-term external debt to GDP ratio. As of December 31, 2011, our medium- and long-term external debt service-to-exports ratio was 2.5, a decrease from 4.2 as of December 31, 2010, our balance of medium- and long-term external debt-to-exports ratio was 38.3, a decrease from 40.4 as of December 31, 2010, and our balance of medium- and long-term external debt to GDP ratio was 14.5, a decrease from 14.6 as of December 31, 2010.

As of June 30, 2012, our medium- and long-term external debt service-to-exports ratio was 1.2, a decrease from 2.5 as of December 31, 2011, our balance of medium- and long-term external debt-to-exports ratio was 35.9, a decrease from 38.3 as of December 31, 2011, and our balance of medium- and long-term external debt to GDP ratio was 13.5, a decrease from 14.5 as of December 31, 2011.

Our net international reserves to public external debt ratio has remained relatively steady since 2008, when it increased from 2.4 as of December 31, 2007 to 3.2 as of December 31, 2008. Our net international reserves to public external debt ratio then increased to 3.3 as of December 31, 2009 and to 3.4 as of December 31, 2010. Our net international reserves to public external debt ratio remained at 3.4 as of December 31, 2011 and at June 30, 2012.

SUMMARY INFORMATION

	As of and for the year ended December 31,				
	2007	2008	2009	2010	2011
DEMOGRAPHIC CHARACTERISTICS					
Total Population (*thousand*)	9,827.5	10,027.6	10,227.3	10,426.2	10,624.5
Average Annual Growth (%)	2.1	2.0	2.0	1.9	1.9
Infant Mortality Rate (*per 1,000 live births*)	46.5	44.8	43.2	41.6	40.2
Average Life Expectancy (*age*)	65.3	65.7	66.0	67.2	68.1
Moderate Poverty[1] (%)	60.1	57.3	51.3	49.6	48.5
Extreme Poverty[2] (%)	37.7	30.1	26.1	25.4	24.3
BOLIVIAN ECONOMY					
Nominal GDP[3] (*millions of Bs.*)	103,009.2	120,693.8	121,726.7	137,875.6	166,131.0
Nominal GDP[3] per capita (*Bs./person*)	10,481.7	12,036.1	11,902.1	13,224.0	15,636.6
Real GDP[3][4] (*millions of Bs.*)	28,524.0	30,277.8	31,294.3	32,585.7	34,271.6
Percent Change in Real GDP[3][4]	4.6	6.1	3.4	4.1	5.2
Unemployment (%)	7.7	6.9	7.4	5.7	5.5
EXTERNAL ECONOMY					
Average Annual Nominal Exchange Rate (*Bs./U.S.$*)[5]	7.79	7.19	6.97	6.97	6.89
Goods Balance (*millions of U.S.$*)	918.5	1,443.8	415.4	1,010.7	667.7
Of Which: Exports f.o.b. (*millions of U.S.$*)	4,504.2	6,525.1	4,960.4	6,390.4	8,331.9
Of Which: Imports c.i.f. (*millions of U.S.$*)	(3,585.7)	(5,081.4)	(4,544.9)	(5,379.7)	(7,664.2)
Current Account Balance (*millions of U.S.$*)	1,506.2	1,991.3	745.8	968.6	537.2
Net Foreign Direct Investment (*millions of U.S.$*)	362.3	507.6	425.7	671.8	858.9
Of Which: Gross (*millions of U.S.$*)	953.3	1,302.0	686.7	935.6	1,033.3
Errors and Omissions (*millions of U.S.$*)	(25.7)	4.4	(391.9)	(962.5)	94.4
Overall Balance of Payments (*millions of U.S.$*)	1,952.3	2,374.0	325.2	923.0	2,160.0
Remittances (*millions of U.S.$*)	1,020.5	1,097.2	1,023.0	939.3	1,012.3
Net International Reserves (*millions of U.S.$*)	6,086.0	8,639.6	10,074.6	11,166.2	13,195.7
Of Which: Central Bank (*millions of U.S.$*)	5,319.2	7,722.0	8,580.1	9,729.7	12,018.5
Import Reserve Cover (*months*)	14.9	16.0	19.5	18.2	16.4
Net International Reserves/GDP	40.3	46.0	49.1	49.2	49.8
MONETARY SYSTEM					
Monetary Base Variation (%)	55.5	27.7	32.6	10.2	28.2
M'3[6] Variation (%)	2.90	19.9	19.7	12.5	17.7
Public Deposits (*millions of U.S.$*)	5,343.8	6,972.1	8,498.3	9,087.4	10,805.4
Deposit Bolivianization (%)	36.0	46.9	47.5	56.1	64.0
Loan Portfolio (*millions of U.S.$*)	3,997.7	4,771.0	5,393.6	6,565.2	8,284.3
Credit Bolivianization (%)	19.2	34.0	38.3	56.3	69.5
Nonperforming Loans (%)	5.1	3.7	3.1	2.1	1.6
Average Real Lending Interest Rate for National Currency (%)	4.60	0.24	3.05	8.04	2.31
Average Real Lending Interest Rate for Foreign Currency (%)	2.90	(7.01)	(4.33)	6.54	(0.19)
Inflation (*% change in Consumer Price Index*)	11.7	11.8	0.3	7.2	6.9
PUBLIC FINANCE					
Non-Financial Public Sector ("NFPS") Current Revenue (*millions of Bs.*)	43,197.4	56,857.6	55,243.7	59,994.9	74,240.1
Of Which: Taxes (*millions of Bs.*)	16,800.9	21,385.9	19,708.5	23,018.5	29,433.5
Of Which: Hydrocarbon Taxes (*millions of Bs.*)	7,782.1	2,580.4	1,847.3	2,252.8	2,432.2
Of Which: Hydrocarbon Sales (*millions of Bs.*)	13,235.3	26,332.8	25,325.3	26,392.9	30,830.1
NFPS Current Expenditures (*millions of Bs.*)	30,103.0	39,235.8	40,946.6	44,519.4	52,119.2
Of Which: Goods and Services (*millions of Bs.*)	12,371.5	18,350.8	14,870.9	19,272.8	22,764.1
NFPS Current Surplus (Deficit) (*millions of Bs.*)	13,094.5	17,621.8	14,297.2	15,475.5	22,120.9
NFPS Overall Surplus (Deficit) (*millions of Bs.*)	1,785.4	3,916.2	109.2	2,315.7	1,382.0
NFPS External Financing (*millions of Bs.*)	1,063.0	1,611.7	1,277.2	1,414.6	2,965.3
NFPS Domestic Financing (*millions of Bs.*)	(2,848.4)	(5,527.9)	(1,386.4)	(3,730.4)	(4,347.3)
Consolidated General Government Overall Surplus (Deficit) (*millions of Bs.*)	2,332.9	(11.8)	(2,435.5)	(134.9)	(1,908.1)
Public Company Overall Surplus (Deficit) (*millions of Bs.*)	(547.6)	3,928.0	2,544.7	2,450.7	3,290.1
PUBLIC DEBT					
Public Debt (*millions of U.S.$*)	5,946.0	7,762.6	7,528.4	7,771.3	8,628.4
Public Domestic Debt (*millions of Bs.*)	24,689.0	27,370.9	29,650.8	31,880.1	33,030.5
Public External Debt (*millions of U.S.$*)	2,269.6	2,506.3	2,731.4	3,059.1	3,585.3
Medium- and Long Term Public External Debt (*millions of U.S.$*)	2,208.5	2,443.8	2,602.3	2,892.3	3,493.5
Of Which: Multilateral (*millions of U.S.$*)	1,709.3	1,819.9	1,993.3	2,287.9	2,620.8
Of Which: Bilateral (*millions of U.S.$*)	499.2	623.8	609.0	604.4	872.7
Medium- and Long-Term Public External Debt Service/Exports	6.6	3.7	4.1	4.2	2.5
Medium- and Long-Term Public External Debt/Exports	44.1	34.8	47.5	40.4	38.3
Medium- and Long-Term Public External Debt/GDP	16.7	14.6	14.9	14.6	14.5

(1) "Moderate poverty" refers to the percent of the population whose income is less than the cost of a basic basket of food plus other basic necessities such as housing, education and entertainment, which was valued at Bs./597 per person per month in November and December 2011.
(2) "Extreme poverty" refers to the percent of the population whose income is less than the cost of a basic basket of food, which was valued at Bs./326 per person per month in November and December 2011.
(3) Includes Import Duties, VAT, Transaction and Other Indirect Taxes.
(4) At constant 1990 prices.
(5) Calculated using daily averages.
(6) M'3 = Notes and Coins Held By the Public + Deposits in National Currency ("NC") and *Unidades de Fomento de Vivienda* ("UFV") Deposits in Foreign Currency ("FC") and Value Maintaining Currency ("VMC") + Bank Savings in NC and UFV + Savings and VMC in FC + Term and Other Deposits in NC and UFV + Term and Other Deposits in FC and VMC.

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Notes, see "Description of Notes" in this Offering Memorandum.

Issuer	Estado Plurinacional de Bolivia
Initial Purchasers	Merrill Lynch, Pierce, Fenner & Smith Incorporated Goldman, Sachs & Co.
Notes Offered	U.S.$500,000,000 aggregate principal amount of 4.875% Notes due 2022. The Notes will constitute unconditional unsecured and unsubordinated external indebtedness of Bolivia and will not be promissory notes (*pagarés*) under Bolivian law.
Issue Price	100.00%, plus accrued interest, if any, from October 29, 2012.
Issue Date	October 29, 2012
Maturity Date	The maturity date of the Notes will be October 29, 2022.
Interest	The Notes will bear interest at a rate of 4.875% per year. Interest will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the issue date of the Notes.
Interest Payment Dates	Interest on the Notes will be payable semi-annually on April 29 and October 29 of each year, beginning on April 29, 2013, to holders as of the previous April 15 and October 15.
Ranking	The Notes will be equal in right of payment with all of Bolivia's present and future unsecured and unsubordinated Public External Indebtedness (as defined in "Description of the Notes"). See "Description of the Notes—General Terms of the Notes."
Optional Redemption	The Notes may be redeemed, in whole or in part, at any time by paying the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) a "make-whole" amount, plus in each case accrued and unpaid interest to the redemption date. See "Description of the Notes—Optional Redemption."
Negative Pledge	As long as any of the Notes are outstanding, Bolivia will not create or permit to exist any lien other than the Permitted Liens (as defined in the "Description of the Notes") on its present or future revenues, properties or assets to secure its Public External Indebtedness (as defined in the "Description of the Notes"). See "Description of the Notes—Negative Pledge."

Default and Acceleration of Maturity	For a discussion of certain events of default that will permit acceleration of the principal of the Notes plus accrued interest, and any other amounts due with respect to the Notes, see "Description of Notes—Default and Acceleration of Maturity."
Additional Amounts	We will make all payments of principal and interest on the Notes without withholding or deducting for any Bolivian taxes, except in certain limited circumstances. See "Description of the Notes—Additional Amounts."
Collective Action Clauses	The Notes contain provisions, commonly known as "collective action clauses," under which we may amend or obtain waivers of the payment provisions of the Notes and certain other terms with the consent of holders of 66⅔% or 75% of the aggregate principal amount of the outstanding Notes. See "Description of the Notes—Meetings and Amendments—Approval (Collective Action Securities)."
Book Entry; Form and Denominations	The Notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of DTC, as depositary, for the accounts of its participants, including Euroclear and Clearstream. The Notes will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See "Description of Notes—Book-Entry; Delivery and Form."
Listing and Trading	We have applied to admit the Notes for listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. We cannot assure you that an active or liquid trading market for the Notes will develop.
Transfer Restrictions	We have not registered the Notes under the Securities Act or the laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions."
Use of Proceeds	We intend to use the net proceeds for general budgetary purposes, including financing infrastructure projects. See "Use of Proceeds."
Further Issues	From time to time, without the consent of the holders of the Notes, we may create and issue additional notes that may form a single series of notes with the outstanding Notes; *provided that* such additional notes do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such additional notes are subject to U.S. federal tax laws), a greater amount of original issue discount than the Notes have as of the date of the issue of such additional notes.
Risk Factors	Investing in the Notes involves certain risks. See "Risk Factors."

Governing Law	The Notes and the Indenture (as defined in "Description of the Notes") will be governed by and interpreted in accordance with the laws of the State of New York without regard to any conflicts of law principles thereof that would require the application of laws of a jurisdiction other than the State of New York. However, matters concerning authorization and execution of the Indenture and the Notes by Bolivia, as well as the enforcement of any foreign judgment against Bolivia before Bolivian courts, will be governed by the laws of Bolivia.
Trustee, Principal Paying Agent, Registrar and Transfer Agent	The Bank of New York Mellon
Luxembourg Listing Agent and Luxembourg Paying Agent and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.

EXCHANGE RATES

The Central Bank of Bolivia (the "Central Bank") maintains fixed crawling peg exchange rates to the boliviano that are periodically readjusted to account for gradual depreciation or appreciation. The Central Bank also periodically evaluates the stability of price levels and the behavior of real exchange rate fundamentals when evaluating the U.S. Dollar exchange rate. See "The Monetary System—Monetary and Finance Sector—Exchange Rates." The following table sets forth the Central Bank's high, low, period average and period end buying rates for U.S. dollars for the indicated dates and periods.

	Bs. per U.S.$			
Year Ended December 31,	**High**	**Low**	**Average**(1)	**Period End**
2007	7.93	7.57	7.79	7.57
2008	7.57	6.97	7.19	6.97
2009	6.97	6.97	6.97	6.97
2010	6.97	6.94	6.97	6.94
2011	6.94	6.86	6.89	6.86
2012 (through October 22, 2012)	6.86	6.86	6.86	6.86

Source: Central Bank
(1) Calculated using daily averages

Certain amounts stated herein in U.S. dollars have been translated, for the convenience of the reader, from bolivianos at the rate in effect on December 31, 2011 of Bs.6.86 = U.S.$1.00. Such translations should not be construed as a representation that the boliviano could have been converted at such rate on such date or at any other time.

RISK FACTORS

Investing in the Notes involves risks. We believe the following material factors are the principal risks involved in investing in the Notes and may adversely affect our ability to fulfill our obligations under the Notes. You should carefully consider the risks described below and the other information contained in this Offering Memorandum before making an investment decision. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently consider immaterial could also adversely affect us.

Risks Relating to Bolivia

Political and social developments in Bolivia could have a material adverse effect on our economy and our ability to make payments on our outstanding public debt, including the Notes.

Bolivia has, from time to time, experienced social and political turmoil, including riots, nationwide protests, strikes and street demonstrations, which have undermined Bolivia's policy predictability and economic stability. Future government policies to preempt or respond to social unrest could include, among other things, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies.

These policies, as well as related negative changes in the political environment in Bolivia, could destabilize and adversely affect the Bolivian economy and our ability to make payments on our outstanding public debt, including the Notes.

The pattern of nationalizations since 2006 could have a material adverse effect on investor confidence in Bolivia and investments in Bolivia and our ability to make payments on our outstanding public debt, including the Notes.

Since 2006, we have adopted a development model that includes state intervention in "strategic sectors" of the Bolivian economy, which include the hydrocarbons, mining, energy, forestry and environmental sectors. See "The Bolivian Economy—New Economic, Social, Communitarian and Productive Model." As a result, several industries and companies within these strategic sectors have been nationalized. See "The Bolivian Economy—Nationalizations." This pattern of nationalizations could have a material adverse effect on investor confidence in Bolivia and investments in Bolivia and on our ability to make payments on our outstanding public debt, including the Notes.

Some nationalizations have resulted in international arbitration proceedings and the results of these pending arbitration proceedings could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

International arbitration proceedings have been brought against us primarily by foreign investors in some nationalized entities or in connection with revoked concessions. For additional information, see "Bolivia—Legal Proceedings and Processes."

We can offer no assurance that we will prevail in these claims or in any enforcement proceedings. Rulings against us in these and future proceedings could result in the attachment of assets of Bolivia, or assets alleged by claimants to be property of Bolivia, that the Government or the owners of the assets intend for other uses and could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Any dramatic and continuous decline in international petroleum or mineral prices or production could have a material adverse effect on our economy and our ability to make payments on our outstanding public debt, including the Notes.

The structure of our economy is dependent on petroleum and mineral revenues, particularly those from natural gas. See "The Bolivian Economy—Principal Sectors of the Economy—Petroleum and Natural Gas," "The External Economy—Foreign Trade—Imports and Exports," and "Public Finances—Non-Financial Public Sector."

We can make no assurances that revenues from petroleum activities will not experience fluctuations as a result of changes in the international petroleum market. A dramatic decline in international petroleum prices could adversely affect our economy, fiscal accounts and international reserves. Additionally, our petroleum production capacity could decrease if we do not have available funds to allocate the necessary capital expenditures into this sector. These circumstances could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Our recent termination of our bilateral investment treaty with the United States and the termination or expiration of other bilateral investment treaties could have a material adverse effect on investor confidence in Bolivia and investments in Bolivia and our ability to make payments on our outstanding public debt, including the Notes.

On June 6, 2011, we delivered to the United States of America a notice of termination of our bilateral investment treaty with the United States of America, which took effect on June 10, 2012. Other bilateral investment treaties with Austria, Cuba, Italy, Korea, Mexico, the Netherlands, Spain, Sweden and Switzerland have also been terminated or allowed to expire. See "Bolivia—International Relations—Treaties and Other Bilateral Relationships." These terminations and expirations could have a material adverse effect on investor confidence in Bolivia and investments in Bolivia and on our ability to make payments on our outstanding public debt, including the Notes

Future political support for current economic policies, including servicing of our outstanding public debt, cannot be assured.

Future changes in government could lead to a shift in government economic policies that could affect the proportion of our budget devoted to public debt payments, or have other adverse effects on our ability to meet our outstanding public debt obligations in the future, including our obligations under the Notes.

Bolivia is a foreign sovereign state and accordingly it could be difficult to obtain or enforce judgments against us.

Bolivia is a foreign sovereign state. As a result, it could be difficult or impossible for investors to obtain or enforce judgments against us whether in an investor's own jurisdiction or elsewhere. Under Bolivian law, including under Paragraph 2 of Article 339 of the Bolivian Political Constitution, Clause 10 of Article 179 of Chapter 10 of the Bolivian Code of Civil Procedure, Article 3 of the Regulation for the Registration, Registration Control and Certification of the Bolivian State and the U.S. Foreign Sovereign Immunities Act of 1976, as amended, we and our assets located in Bolivia have certain immunities from set-off, attachment prior to judgment, attachment in aid of execution of judgment, and execution of judgment. See "Enforcement of Civil Liabilities."

Certain economic risks are inherent in any investment in an emerging market country such as Bolivia.

Investing in an emerging market country such as Bolivia carries economic risks. These risks include many different factors that could affect our economic results, including the following:

- changes in the global economy, interest rates and financial markets;
- changes in our economic or tax policies;
- the imposition of trade barriers by us or by third parties;
- general economic and business conditions in Bolivia;
- high interest rates;
- high levels of inflation;
- exchange controls;
- wage and price controls;
- the ability of Bolivia to effect key economic reforms;
- the impact of hostilities or political unrest in other countries that could affect international trade, commodity prices and the global economy; and
- future decisions by international financial institutions regarding the terms of their financial assistance to Bolivia.

Any of these factors, as well as volatility in the markets for securities similar to the Notes, could adversely affect the liquidity of, and trading markets for, the Notes.

Any significant real depreciation of the boliviano against the U.S. dollar or other major currencies could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Any significant real depreciation of the boliviano against the U.S. dollar or other major currencies might have a negative effect on our ability to repay our debt denominated in currencies other than the boliviano, including the amounts due under the Notes.

Any significant real change in the value of the boliviano or the currency of our trading partners against the U.S. dollar or other major currencies might adversely affect our economy and financial condition, which could have a negative effect on our ability to make payments on our outstanding public debt.

The continuing effects of the global economic crisis could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Starting in September 2008, the global economy has experienced a steep downturn, sparked by uncertainty in credit markets and deteriorating consumer confidence. Although since this time our rate of economic growth has remained above 3.4% per year and the global economy has since shown signs of improvement, we cannot assure you that the global economy will grow in the near future, or that our economy will continue to grow. In addition, we cannot assure you that we will not experience economic problems in the future as a result of the global economic crisis, which could have a material adverse effect on our financial condition and our ability to make payments on our outstanding public debt, including the Notes.

Our economy may contract in the future, which could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Our economy has experienced positive growth for several years. See "The Bolivian Economy—Gross Domestic Product." However, we cannot offer any assurance that our economy will continue to grow in the future. Economic growth depends on a variety of factors, including, among others, international demand for our exports, the stability and competitiveness of the boliviano against foreign currencies, confidence among Bolivian consumers and foreign and domestic investors and their rates of investment in Bolivia, the willingness and ability of businesses to engage in new capital spending, and the rate of inflation. Some of these factors are outside of our control. An economic contraction could result in a material decrease in our revenues, which in turn could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

We may be unable to obtain financing on satisfactory terms in the future, which could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Our future tax revenue and fiscal results may be insufficient to meet our debt service obligations and we may have to rely in part on additional financing from domestic and international capital markets in order to meet future debt service obligations. In the future, we may not be able or willing to access international or domestic capital markets, and our ability to service our outstanding public debt, including the Notes, could be adversely affected.

A significant decrease in remittances from Bolivians living abroad could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Remittances from Bolivians living abroad, which are primarily in U.S. dollars, are one of our most important sources of foreign currency. See "The External Economy—Remittances." A significant decrease in remittances could lead to a depreciation of the boliviano and adversely affect our ability to make payment on our outstanding public debt, including the Notes.

Our economy is vulnerable to external shocks, including the perception of risk in other countries, which could have a material adverse effect on economic growth and our ability to make payments on our outstanding public debt, including the Notes.

A decline in the economic growth of any of our major trading partners, in particular Brazil or Argentina, could have a material adverse effect on our balance of trade and adversely affect our economic growth. In addition, because international investors' reactions to the events occurring in one emerging market economy sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, we could be adversely affected by negative economic or financial developments in other emerging market countries. We cannot assure you that events affecting other markets will not have a material adverse effect on our growth and our ability to service our outstanding public debt, including the Notes.

A significant increase in interest rates outside of Bolivia could have a material adverse effect on the economies of our trading partners and adversely affect our economic growth and our ability to make payments on our outstanding public debt, including the Notes.

If interest rates outside of Bolivia increase significantly, our trading partners, in particular Brazil or Argentina, could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries. Decreased growth on the part of our trading partners could have a material adverse effect on the markets for our exports and, in turn, adversely affect our economy. An increase in interest rates would also increase our debt service requirements with respect to our debt obligations that accrue interest at floating rates, which could adversely affect our ability to make payments on our outstanding public debt generally, including the Notes.

Any revision to our official financial or economic data resulting from any subsequent review of such data by the Central Bank or other government entities could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Certain financial and other information presented in this Offering Memorandum may subsequently be materially adjusted or revised to reflect new or more accurate data as a result of the periodic review of our official financial and economic statistics. Such revisions could reveal that our economic and financial conditions as of any particular date are materially different from those described in this Offering Memorandum. We can offer no assurance that such adjustments or revisions will not have a material adverse effect on the interests of our creditors, including any purchasers of the Notes.

Risks Relating to Owning the Notes

The Notes will contain provisions regarding acceleration and voting on amendments, modifications and waivers, which are commonly referred to as "collective action clauses," under which certain key terms of the Notes may be amended, including the maturity date, interest rate and other payment terms, without your consent.

The Notes will contain provisions regarding acceleration and voting on future amendments, modifications, changes and waivers, which are commonly referred to as "collective action clauses." Under these provisions, certain key provisions of the Notes may be amended, including the maturity date, interest rate and other payment terms, with the consent of the holders of 66⅔% or 75%, as applicable, of the aggregate principal amount of the outstanding Notes. See "Description of the Notes—Meetings and Amendments—Approval (Collective Action Securities)."

There is no established trading market for the Notes, and the price at which the Notes will trade in the secondary market is uncertain.

The Notes will be a new issue of securities with no established trading market. We do not know the extent to which investor interest will lead to the development of an active trading market for the Notes or how liquid that market may become. If the Notes are traded after their initial issuance, they may trade at a price lower than their principal amount, depending upon prevailing interest rates, the market for similar securities and general economic conditions in Bolivia and elsewhere.

We have submitted an application to list the Notes on the Euro MTF Market of the Luxembourg Stock Exchange. We cannot assure you that a trading market for the Notes will develop or that the price at which the Notes will trade in the secondary market will be sustainable. If an active market for the Notes fails to develop or continue, this failure could harm the trading price of the Notes.

The ability of holders to transfer Notes in the United States and certain other jurisdictions will be limited.

The Notes issued pursuant to this offer will not be registered under the Securities Act and, therefore, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws. Offers and sales of the Notes may also be subject to transfer restrictions in other jurisdictions. You should consult your financial or legal advisors for advice concerning applicable transfer restrictions with respect to the Notes.

Our credit ratings may not reflect all risks of investment in the Notes.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

We could redeem the Notes before maturity.

We may redeem the Notes, in whole or in part, under certain circumstances described under "Description of the Notes—Optional Redemption." An investor may not be able to reinvest the redemption proceeds in other securities with yields similar to those of the Notes redeemed.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Notes will be approximately U.S.$499 million, after deducting the Initial Purchasers' commission and estimated offering expenses. We intend to use the net proceeds for general budgetary purposes, including financing infrastructure projects.

BOLIVIA

Overview

Bolivia is a representative democracy located in the Andes Mountains and the Amazon region of central-western South America, with an estimated population of approximately 10.6 million as of December 31, 2011. Our population is multi-racial and multi-cultural, and our official languages are Spanish and the 36 languages of our indigenous peoples. We are bordered by Brazil, Paraguay, Argentina, Chile and Peru. In the course of our history, we have received emigration from Europe, Asia and Africa. The World Bank has classified Bolivia as a lower-middle-income developing country since August 2010 based on our economic performance.

The election of president Juan Evo Morales Ayma in 2006 initiated a period of broadening the role of the state in economic affairs and focusing on our social policies. The Bolivian Political Constitution has led to profound changes in our legal framework. The Bolivian Political Constitution requires amending key economic laws, including those regulating the Central Bank, the financial sector, the exploitation of natural resources, and intergovernmental tax policy. These amendments have been implemented in part and their future implementation is scheduled to be achieved in the next several years.

The constitutional reform implemented during the past few years began with the enactment in 2009 of a new Bolivian Political Constitution, which is aimed at, among other things, empowering previously excluded groups, promoting greater decentralization and broadening social participation. Various new social welfare programs have been implemented since the Constitution was adopted. Also, the hydrocarbons, energy and telecommunications sectors and the cement industry have been partially nationalized, and state firms have been created to assist in the development of various other productive sectors, improve the provision of some public services and promote food security. We have negotiated compensation packages with some of the affected parties in the nationalized sectors and are negotiating compensation packages with other affected parties in nationalized sectors. Legal proceedings have, however, been brought against us as a result of some of these nationalizations. See "—Legal Proceedings and Processes" and "The Bolivian Economy—Nationalizations."

History

The Andean region has been inhabited for approximately 20,000 years. Around 1450, the Quechua-speaking Incas entered the area of modern highland Bolivia and added it to their empire. The Incas controlled this area until the Spanish conquest in 1525. As Spanish royal authority weakened during the Napoleonic wars, sentiment against colonial rule grew and independence was proclaimed in 1809. Sixteen years of struggle followed before the establishment of the republic, named after Simon Bolivar, on August 6, 1825.

For nearly 60 years, weak institutions and frequent coups characterized our politics. We were defeated by Chile at the end of the War of the Pacific (1879–83), at which time Chile took lands that contained rich nitrate fields and removed our access to the sea. An increase in world silver prices brought prosperity and political stability in the late 1800s. Tin eventually replaced silver as the country's most important source of wealth during the early part of the 20th century.

The years between 1964 and 1982 were marked by military rule, coups, human rights violations, and fiscal crises. Democratic rule returned after a military coup forced General Luis Garcia Meza out of power in 1981 and three separate military governments struggled unsuccessfully to address our growing problems.

The 1980s were characterized by the return to democracy and a deep economic crisis caused by a decrease in international tin prices, internal adjustments designed to pay the external debt incurred by the military governments and hyperinflation. In 1985 Victor Paz Estenssoro was elected president and his administration (1985-1989) managed to stabilize the macroeconomy after introducing neoliberal policies and replacing the statist model.

During the 1990s, each successive government continued the policies of macroeconomic stabilization and strengthening the free market economy. During this time, we privatized state-owned oil, railroad, telecommunication, electric and airline companies and the administration of pension funds. High levels of corruption and poor social inclusion ultimately weakened the political system.

The first decade of the twenty-first century was characterized by a deep economic crisis and political instability, which led to the emergence of social movements, mainly of peasants, indigenous peoples and other marginalized groups. The second term of Gonzalo Sanchez de Lozada (2002-2003) ended prematurely after social conflicts erupted during the so-called "Gas War," which sparked over the exploitation of natural gas, and his vice president, Carlos Mesa Gisbert (2003-2005) assumed the presidency without support from Congress. Gisbert resigned as a result of political pressure from the unions and the emerging autonomist movement.

On December 18, 2005, Juan Evo Morales Ayma was elected to the presidency with 54% of the vote. President Morales is the first president who is a member of the indigenous majority and the first president to be elected by an absolute majority in over 20 years. Fulfilling a campaign promise, President Morales called for a constituent assembly to draft a new constitution, which was convened on August 6, 2006. Voters approved the Bolivian Political Constitution on January 25, 2009 and it entered into force on February 7, 2009. National elections were held under the Bolivian Political Constitution on December 6, 2009 and President Morales was re-elected with 64% of the vote.

After re-election, President Morales prioritized the implementation of the Bolivian Political Constitution. Morales and Vice President Garcia Linera pledged to move the country toward social inclusion with an integrated economic system featuring a strong participation of the state in social and economic spheres. The Morales administration is focused on greater investment in infrastructure, education, health and the industrialization of strategic sectors.

Territory and Population

Bolivia is located in the Andes Mountains and the Amazon region of central-western South America. We are one of two landlocked countries in South America. Our geography includes the Altiplano, a highland plateau of the Andes, and Lake Titicaca, the largest lake in South America and the highest commercially navigable lake in the world.

Bolivia covers an area of 1,098,581 square kilometers, stretching from the wooded Amazonian territories in the north to the tropical savanna latitudes in the far south, and from the Andes in the east to the western plains of Chiquitos. Within our territory are the central valleys of Cochabamba, Chuquisaca and Tarija, the subtropical Yungas of La Paz, and the western marshy lands known as "El Pantanal."

From our location in the center of the Southern Cone, we experience different climates that vary from the intense cold in the Andes Mountains to the tropical heat in the Amazon region, passing through warm temperatures in the valleys. These geographical areas allow the cultivation of fruits, grains, tubers and other agricultural products. At the same time, they favor the development of livestock, such as swine, sheep, alpaca, fish breeding and poultry, as well as economic activities such as hunting, fishing and forestry. Extractive activities are fundamental to the national economy, encompassing oil, natural gas and minerals such as tin, silver, gold, zinc, borax, copper, bismuth and lithium, as well as gemstones such as Bolivianita and a large iron ore-deposit called Mutún.

Bolivia is divided into the nine administrative departments of Beni, Chuquisaca, Cochabamba, La Paz, Oruro, Pando, Potosí, Santa Cruz and Tarija as well as 337 municipalities. Our constitutional capital is Sucre, although Nuestra Señora de La Paz ("La Paz") is our administrative capital.

Our last official census occurred in 2001. According to that census, we had a population of 8,274,325. The next census is scheduled to begin in late 2012. We estimate that our current population is approximately 10.6 million people.

The following table shows estimated demographic characteristics of our population for the five years ended December 31, 2011:

Demographic Characteristics

	2007	2008	2009	2010	2011
Total population (*million*)	9.8	10.0	10.2	10.4	10.6
Female (%)	50.1	50.1	50.1	50.1	50.1
Male (%)	49.9	49.9	49.9	49.9	49.9
Urban (%)	65.1	65.6	66.0	66.4	66.8
Rural (%)	34.9	34.4	34.0	33.6	33.2
Functional age groups (%)					
Young Child (0–4)	13.2	12.9	12.7	12.5	12.3
Child (5–14)	24.0	23.8	23.6	23.3	23.1
Youth (15–24)	19.7	19.8	19.9	19.9	20.0
Adult (25–64)	38.7	39.0	39.3	39.7	40.0
Elderly (65+)	4.5	4.5	4.5	4.6	4.6
Demographic Indicators					
Average Annual Growth (%)	2.1	2.0	2.0	1.9	1.9
Birth Rate (per thousand)	27.9	27.4	26.8	26.3	25.8
Mortality Rate (per thousand)	7.6	7.5	7.4	7.3	7.2
Fertility Rate (per woman)	3.5	3.5	3.4	3.3	3.2
Infant Mortality Rate (*per 1,000 live births*)	46.5	44.8	43.2	41.6	40.2
Average Life Expectancy (*age*)					
Female	67.5	67.9	68.2	68.9	69.7
Male	63.3	63.6	63.9	65.6	66.5
Overall	65.3	65.7	66.0	67.2	68.1

Source: National Institute of Statistics

In December 2008, Bolivia was the third country in Latin America to be declared free from illiteracy by the United Nations Educational, Scientific and Cultural Organization ("UNESCO"), which declares a country free from illiteracy when its illiteracy rate drops below 4.0%, as our illiteracy rate fell from 11.0% in 2005 to 3.4% in 2008.

The following table provides comparative per capita GDP figures and other selected comparative statistics as of the years indicated based on data from the United Nations Development Programme:

Comparative Per Capita GDP and Other Statistics

	Guatemala	Honduras	Bolivia[1]	Paraguay	Colombia	Brazil	Peru	Venezuela	Argentina	United States of America
Per Capita GDP[2] (*U.S.$*)	4,720	3,842	4,419	4,523	8,959	10,367	8,389	12,323	14,538	45,489
United Nations Index of Human Development (World Ranking)[2]	131	121	108	107	87	84	80	73	45	4
Life Expectancy at Birth (*years*)[2]	71.2	73.1	66.6	72.5	73.7	73.5	74.0	74.4	75.9	78.5
Infant Mortality (*per 1,000 live births*)[3]	40	30	51	23	19	21	21	18	14	8
Adult Literacy Rate[4] (%)	74.5	83.6	90.7	94.6	93.2	90.0	89.6	95.2	97.7	n.a.
Population below the poverty line[5] (%)	16.9	23.3	14.0	5.1	16.0	3.8	5.9	3.5	0.9	n.a.

Source: United Nations Development Programme, *Human Development Report 2011*
(1) This data may conflict with official data from the Government.
(2) 2011 data.
(3) 2009 data.
(4) Data is the most recent year available between 2005 and 2010.
(5) Data is the most recent year available between 2000 and 2009. The international poverty line is defined as the population living on a daily per capita income of U.S.$1.25 or less, adjusted for purchasing power parity.

Political and Legal System

Overview

We have been governed by a democratic government since 1982 and we have had several constitutions since our independence in 1825. The Bolivian Political Constitution defines Bolivia as a "Social Unitarian State" and establishes a participatory, representative and community-based democracy exercised in three ways: (1) through referenda and other citizen legislative initiatives; (2) through the election of representatives by universal vote; and (3) through the election, designation, or nomination of authorities and representatives by nations of indigenous peoples.

The Bolivian state exists both on the plurinational and departmental levels, and is divided into legislative, executive, judicial and electoral branches. The Plurinational Legislative Assembly is composed of two chambers: the Chamber of Deputies, which has 130 members elected to five-year terms, and the Chamber of Senators, which has 36 members elected to five-year terms. The executive branch is headed by the President, who may be elected to two consecutive five-year terms by the general population, and includes the Vice-President and Ministers. The judiciary is composed of the Supreme Tribunal of Justice, the Plurinational Constitutional Tribunal, the Judiciary Council, the Agro-Environmental Tribunal, District (departmental) Courts, indigenous courts and other lower courts. The electoral branch is composed of the Supreme Electoral Tribunal, Departmental Electoral Tribunals, Electoral Courts, Polling Station Judges and Electoral Notaries.

Elections

Our last presidential and legislative elections were held on December 6, 2009 and our next presidential and legislative elections will take place in 2014. During the last election, Juan Evo Morales Ayma, who had been President since 2006 and is a member of the political party MAS-IPSP, was elected President, along with Alvaro Garcia Linera as Vice-President, with 64% of the vote. MAS-IPSP also won 88 of the 130 seats in the Chamber of Deputies and 26 of the 36 seats in the Chamber of Senators. The political party Plan Progress for Bolivia–National Convergence (a coalition of right-wing political parties) won 37 of the 130 seats in the Chamber of Deputies and 10 of the 36 seats in the Chamber of Senators. The only other political parties to win seats in the Chamber of Deputies were National Unity Front and Social Alliance, which won 3 and 2 seats, respectively.

Departmental and municipal elections were last held in April 2010 and MAS-IPSP gained six of the nine departmental governorships. However, several local opposition leaders won some of the largest municipalities, particularly in the departmental capital cities, including in some traditional Government strongholds in the country's western highlands. Moreover, in recent years, some social groups have staged protests demanding specific investment projects and opposing some of the Government's policies such as the attempt to reduce fuel subsidies, which was reversed after strong social conflicts, and a road construction project that would pass through a protected area, which is currently pending the result of a referendum with indigenous communities.

On October 16, 2011 and for the first time in our history, general elections were held to elect the judges of the Agro-Environmental Tribunal, the Judiciary Council, the Plurinational Constitutional Tribunal and the Supreme Tribunal of Justice.

The Bolivian Political Constitution provides a mechanism by which the general population can recall elected officials, other than members of the judiciary. A recall vote may be held only once during an elected official's term and is initiated only by a "popular initiative." For nationally elected officials, including the president, the "popular initiative" must collect signatures and fingerprints of at least 25% of all eligible voters and at least 20% of eligible voters in each Department. Thereafter, the nationally elected official will be recalled if the Plurinational Legislative Assembly passes a recall law by an absolute majority.

Decentralization

Beginning in 1994, we have made several steps towards decentralization, including widespread use of elections by popular vote and creating autonomous indigenous entities and representatives. Currently, we are consolidating decentralization through the Law on Autonomies and Decentralization, passed on July 19 2010. This law was the first step towards implementing the political and economic decentralization envisioned in the Bolivian Political Constitution. It enables subnational governments to obtain political and fiscal autonomy; provides for the creation of new autonomous territories for the indigenous populations; allows departments and municipalities to create a new intermediate level of government—the region; and opens up new functions for the subnational governments to assume, including those related to education and health.

Currently, there is no specific timeline for the transfer of competencies or changes to revenue sharing, but we envision that the process will be gradual and take several years. Full implementation of the Law on Autonomies and Decentralization will require a redistribution of revenue across jurisdictions—through an agreement referred to as the Fiscal Pact—which in turn requires the completion of the national population census, which is scheduled to begin in November 2012.

Social Welfare Programs

We are committed to eradicating poverty by promoting equitable economic distribution patterns and equal opportunities. On September 12, 2007, the Government finalized a National Development Plan through 2011, the purpose of which was to guide and coordinate sectoral, regional and institutional planning for national development by outlining strategies to be taken in areas such as poverty reduction, healthcare, education, housing and community services. A new national development plan is currently being elaborated.

Government Transfer Programs

Poverty indicators have been greatly reduced in recent years, as envisioned under the National Development Plan, and the Government's cash transfer programs have been instrumental in reducing extreme poverty from 38.2% in 2005 to 24.3% in 2011 and moderate poverty from 60.6% in 2005 to

48.5% in 2011. Nonetheless, the government intends to further reduce poverty levels, infant mortality, school dropout rates and inequality in access to basic services across territorial, ethnic and gender lines.

We have implemented social welfare programs to target sectors of the population that allow the redistribution of tax revenues to the neediest and most vulnerable sectors of our population. Among the most important of these programs are the Dignity Pension program, the Juancito Pinto cash transfer program and the Juana Azurduy voucher program, which together have benefited 31% of the Bolivian population since 2006.

These direct transfer programs are a fundamental part of our efforts to reduce poverty indicators, improve educational attendance and achieve lower rates of maternal and infant mortality. These programs are dependent on Government revenues, principally from the extraction of hydrocarbons and minerals, dividends from public enterprises and General National Treasury resources.

The following table shows levels of moderate and extreme poverty for the five years ended December 31, 2011:

Moderate and Extreme Poverty

	2007	2008	2009	2010(1)	2011(1)
Moderate Poverty(2) (%)	60.1	57.3	51.3	49.6	48.5
Extreme Poverty(3) (%)	37.7	30.1	26.1	25.4	24.3

Source: National Institute of Statistics, Ministry of Economy and Public Finance
(1) Estimation based on 2009 household survey
(2) "Moderate poverty" refers to the percent of the population whose income is less than the cost of a basic basket of food plus other basic necessities such as housing, education and entertainment, which was valued at Bs./597 per person per month in November and December 2011.
(3) "Extreme poverty" refers to the percent of the population whose income is less than the cost of a basic basket of food, which was valued at Bs./326 per person per month in November and December 2011.

Dignity Pension Program

In order to reduce the levels of extreme poverty in the country, we created the Dignity Pension program, which is a non-contributive program, for persons 60 years of age or older, which is part of the Social Protection Program in the National Development Plan. Through this program, we strive to reduce income inequality. Between February 2008 and December 2011, the Dignity Pension program benefited 896,470 people at a total cost of Bs.6,568 million.

The Dignity Pension program provides persons 60 years of age or older with monthly payments of Bs.200, totaling Bs.2,400 per year. If a person also receives other Government assistance or a pension, they receive monthly payments of Bs.150, totaling Bs.1,800 per year. In 2011, the Dignity Pension program cost a total of Bs.1,796.1 million, financed from direct taxes on hydrocarbons and dividends from public enterprises. Transfers to the Dignity Pension Fund in 2011 totaled Bs.2,171.0 million, with the National Treasury contributing Bs.728.7 million, departmental governments contributing Bs.385.0 million and municipal governments contributing Bs.1,057.4 million.

Juancito Pinto Cash Transfer Program

The Juancito Pinto cash transfer program, which is part of the framework of the Policy for Social Protection and Integral Development Community in the National Development Plan, provides direct subsidies to encourage school attendance in order to reduce truancy and dropout rates. In 2011, the Juancito Pinto cash transfer program reached 1,688,268 students from first to eighth grade of primary public schools at a total cost of Bs.337.7 million.

In 2005 the dropout rate for first to sixth grade was 5.8%, but in 2011 the dropout rate fell to 2.7%, a decrease of 3.1 percentage points. Originally this program was financed by the General National Treasury, Yacimientos Petrolíferos Fiscales Bolivianos ("YPFB") and Corporación Minera de Bolivia ("COMIBOL"). However, since 2008 it has been funded entirely by the General National Treasury.

Juana Azurduy Voucher Program

The Juana Azurduy voucher program is designed to improve maternal and child mortality indicators and to reduce the levels of chronic malnutrition among children as a mechanism to guarantee safe motherhood and the integrated development of children. It is an incentive for women to seek medical services during the periods of pregnancy, delivery and postnatal care of Bolivian children. The program is part of our policies for the eradication of extreme poverty within the Zero Malnutrition Program in the National Development Plan. In 2011 the Juana Azurduy voucher program benefited 277,004 pregnant women and 406,135 children at a total cost of Bs.101.2 million and was financed by resources from the performance of our net international reserves and by external credit from CAF. The results of the Program will be evaluated in 2014.

In recent years, indicators of infant mortality have improved significantly. Infant mortality dropped from 46.5 per 1,000 live births in 2007 to 40.2 per 1,000 live births in 2011. Our most recent statistics on maternal mortality are from 2003. At that time, the rate of maternal mortality was 229 per 100,000 births. We believe that the Juana Azurduy voucher program has continued to further reduce maternal mortality. Nevertheless, policies designed to prevent the principal diseases of children under the age of two and childbearing mothers are still needed to further reduce maternal and infant mortality.

Housing, Utilities and Community Services

The administration of President Morales has worked to increase access to suitable housing and the establishment of property rights in order to reduce the housing shortage while prioritizing the low-income population. In this context, spending on housing and community services reached Bs.439.0 million in 2011, an increase of 84.3% as compared to 2010, which was primarily the result of higher spending on water supply and community development. Expenditures for water reached Bs.264.9 million in 2011, accounting for 60.4% of total spending in this sector and an increase of Bs.244.9 million as compared to 2010. This substantial increase was primarily the result of the construction of potable water and sewage systems, transfers to the National Social and Productive Investment Fund for projects in Rio Grande, the financing of the National Irrigation for Communities Program, and the extension of the District 8-El Alto sanitary sewer system.

Community development expenditures were Bs.108.8 million in 2011, directed mainly to the Rural Alliances Project, which received Bs.75.4 million. This project aims to benefit small farmers by improving their access to markets by financing partnership plans between small producers and market agents. In 2011, we increased the funds in the Social Housing Solidarity Program to Bs.434.8 million. Under this program, 10,474 dwellings were constructed and 17,487 were under construction as of December 31, 2011.

Pension System

The pension system was reformed in late 2010. The new pensions law, which replaced a law from 1996, was enacted after a widespread consultative process. The law allows for an indefinite transition period to finalize operational issues, after which time the pension funds will be operated by a public pension fund administrator, which will be a strategic national public company. As of December 31, 2011, the two private pension administrators in operation prior to the reform, Futuro de Bolivia AFP S.A. and

BBVA Previsión AFP S.A., continued to administer the pension funds. They will continue to administer the pension funds until a public pension fund administrator is formed.

The key elements of the pension system reform are the following:

- Nationalization of the administration of the system's assets: a new Public Pension Funds Administration will eventually take over the two existing private administrators.

- Reduction of the statutory retirement age from 65 to 58 years, with further reductions for specific groups: miners will be able to retire at 56 years of age, miners and metallurgists working under unhealthy conditions at 51 and women at 55. Women will be entitled to advance their retirement age by one year for each child born alive, up to three years.

- After the reform, the pension system will be comprised of three subsystems (or regimes): contributive, semi-contributive, and non-contributive.

- The contributive subsystem will continue to be based on individual accounts into which workers contribute 10% of their salaries. Pensions will have no ceiling and will continue to be computed according to the amount saved in the personal accounts.

- The semi-contributive subsystem—solidarity pensions—complements the contributive pensions when payments out of the contributive pension are lower than a certain threshold. This new pillar is fully financed by a progressive tax that the new pensions law introduces, which comes from, among other sources, premiums paid to cover corporate, professional and labor risk, insured solidarity contributions, employer solidarity contributions, national solidarity contributions and mining solidarity contributions.

- The main component of the non-contributive subsystem, the Dignity Pension program, remains unchanged. In addition, a payment of Bs.1,800 is provided to cover the funeral expenses of a person who has received a pension under the Dignity Pension program.

Before the reform, the pension system was based on individual accounts and capitalization and about half of the 1.2 million registered contributors made payments regularly. The two private pension fund administrators collected contributions of about Bs.3.1 billion per year and accumulated total assets of approximately Bs.38.3 billion by the end of 2010.

As of December 31, 2011, 1.5 million people were insured under the reformed pension program, with 64.4% of the participants male and 35.6% female. Of all participants, 73.7% were single and 24.8% were married. A total of Bs.980.0 million in disbursements were made in 2011, an increase of 19.31% as compared to Bs.821.4 million in 2010. Contributions totaled Bs.5.0 billion in 2011, an increase of 39.0% as compared to Bs.3.6 billion in 2010. Total assets reached Bs.45.7 billion at the end of 2011.

Infrastructure and Investments

Public Sector Investments

Total public sector investment in 2011 was U.S.$2,181.6 million, an increase of 43.4% as compared to U.S$1,521.1 million in 2010, which was primarily the result of additional productive investments, principally in hydrocarbons and infrastructure.

The following table shows public sector investment for the five years ended December 31, 2011 and that projected for 2012:

Public Sector Investments

	2007	2008	2009	2010	2011	Projected 2012
			(in millions of U.S.$)			
Infrastructure						
Communications	1.4	46.7	36.5	8.8	85.5	82.7
Energy	69.6	79.8	82.7	71.0	106.9	117.9
Water Resources	30.3	32.9	37.9	44.1	45.1	67.2
Transportation	449.6	490.2	537.2	600.7	722.3	948.5
Total Infrastructure	**550.9**	**649.6**	**694.3**	**724.6**	**959.7**	**1,216.3**
Multisector						
Trade and Finances	–	–	–	1.4	1.3	4.6
General Administration	2.2	5.2	13.0	13.9	10.4	7.9
National Defense	2.7	70.6	6.6	6.5	8.6	22.8
Judiciary and Police	42.7	51.5	64.6	64.9	80.1	141.0
Multisectoral	0.2	–	1.0	6.2	4.1	8.4
Total Multisector	**47.9**	**127.4**	**85.3**	**92.9**	**104.5**	**184.6**
Productive						
Agricultural	83.1	81.6	90.1	83.6	134.8	204.4
Hydrocarbons	7.6	12.7	31.2	108.6	308.1	647.6
Industry and Tourism	20.5	18.4	15.2	11.9	19.0	113.7
Mining	11.2	34.2	48.0	27.8	89.3	110.4
Total Productive	**122.4**	**146.9**	**184.4**	**231.9**	**551.2**	**1,076.0**
Social						
Education and Culture	77.7	123.9	151.3	176.9	170.4	225.5
Health and Social Security	63.0	79.7	91.4	71.6	79.7	84.0
Basic Sanitation	60.6	50.3	79.4	78.8	119.9	171.7
Urban Development and Housing	82.8	173.5	153.2	144.4	196.2	294.5
Total Social	**284.2**	**427.3**	**475.3**	**471.7**	**566.2**	**775.7**
Total	**1,005.4**	**1,351.2**	**1,439.4**	**1,521.1**	**2,181.6**	**3,252.5**

Source: Ministry of Development and Planning

Infrastructure

Total public sector infrastructure investment in 2011 was U.S.$959.7 million, an increase of 32.4% as compared to U.S.$724.6 million in 2010, which was primarily the result of increased investment in communications, energy and transportation. Of these, investments in communications had the highest rate of growth in 2011 of 871.6% as compared to 2010, as investments in communication increased from U.S.$8.8 million in 2010 to U.S.$85.4 million in 2011. Investments in transportation reached U.S.$722.3 million in 2011, an increase of 20.2% as compared to U.S.$600.7 million in 2010, and were primarily used by the Bolivian Highway Administrator in road projects, including the two-lane La Paz-Oruro highway, the Potosí-Tarija highway, the Santa Barbara-Quiquibey highway and the Guayaramerín-Riberalta highway.

Investments in energy reached U.S.$106.9 million in 2011, an increase of 50.6% as compared to U.S.$71.0 million in 2010, and were primarily used by the Empresa Nacional de Electricidad ("ENDE") for, among other projects, building a transmission line from Punuturma to Tarija, building an electrical distribution grid from Caranavi to Trinidad and connecting Huanuni to the electrical grid.

Investments in water resources reached U.S.$45.1 million in 2011, an increase of 2.3% as compared to U.S.$44.1 million in 2010. The main investments were for the construction of the Misicuni dam, basin and irrigation systems. Most investments in water resources are managed by the municipalities.

Multisector

Investments in this category include those in trade and finance, general administration, judiciary and police, and national defense and "multisectoral." This last category includes investments in development, land, natural resources and the environment, multiple programs and institutional strengthening.

Total public sector multisectoral investment in 2011 was U.S.$104.5 million, an increase of 12.4% as compared to U.S.$92.9 million in 2010. This increase was primarily due to new projects in the judiciary and police sector, which were carried out by the Ministry of Government and state governments in order to improve the prison system. There was also an increase of investment in institutional strengthening, including personnel training and workshops, and preparations for the population and housing census.

Productive

Total public sector productive investment in 2011 was U.S.$551.2 million, an increase of 137.7% as compared to U.S.$231.9 million in 2010. This increase was primarily due to increased investments in hydrocarbons, including the construction of domestic gas networks, liquid extraction plants in Rio Grande and Gran Chaco, and new gas stations. As a result, investments in hydrocarbons increased by 183.5% in 2011 as compared to 2010, from U.S.$108.6 million in 2010 to U.S.$308.1 million in 2011.

Investments in mining increased by 221.2% in 2011 as compared to 2010, from U.S.$27.8 million in 2010 to U.S.$89.3 million in 2011, and were primarily used for mining in Huanuni and for the construction of an Ausmelt smelter.

Investments in agriculture and industry and tourism also increased in 2011. Investments in agriculture increased by 61.2% in 2011 as compared to 2010, from U.S.$83.6 million in 2010 to U.S.$134.8 million in 2011, while investment in industry and tourism increased by 59.7% in 2011 as compared to 2010, from U.S.$11.9 million in 2010 to U.S.$19.0 million in 2011. Investments in agriculture in 2011 primarily benefited small farmers and producers. Investments in industry and tourism primarily benefited small and medium producers and were primarily used in projects for the Chuquiago Marka fairground and the San Buenaventura Sugar Public Company.

Social

Total public sector social investment in 2011 was U.S.$566.2 million, an increase of 20.0% as compared to U.S.$471.7 million in 2010. The increase was primarily the result of increased investment in urban development and housing, which increased by 35.9% in 2011 as compared to 2010, from U.S.$144.4 million in 2010 to U.S.$196.2 million in 2011. The main urban development and housing projects were for paving urban roads and for sports center complexes in El Alto and Quillacollo.

Basic sanitation was also a significant contributing factor to the increased investment in social investments in 2011. Total public sector investment in basic sanitation increased by 52.2% in 2011 as compared to 2010, from U.S.$78.8 million in 2010 to U.S.$119.9 million in 2011. The main sanitation projects were the construction of the drinking water system in the 8th district of El Alto and in the 3000 Plan of Santa Cruz, as well as some small sewer construction projects.

Investments in health and social security increased by 11.3% in 2011, from U.S.$71.6 million in 2010 to U.S.$79.7 million in 2011. These investments were primarily used in projects for the Zero

Malnutrition National Program, second- and third-level hospital construction, and the Juana Azurduy voucher program.

Total public sector investment in education and culture was the only area where investment decreased in 2011, decreasing by 3.7% in 2011, from U.S.$176.9 million in 2010 to U.S.$170.4 million in 2011. These investments were primarily used for our Post-Literacy Program and the construction and provision of equipment for schools.

"Bolivia Cambia, Evo Cumple" Program

Since 2006, the program called "*Bolivia Cambia, Evo Cumple*" ("Bolivia Changes, Evo Fulfills") invests money directly into municipalities and communities for infrastructure projects and equipment in the areas of health, education, sports, production, irrigation, sanitation, community facilities and roads. Until mid-2011, Venezuela provided funds for this program. Since July 15, 2011, the program has been funded with resources from the General National Treasury.

Between 2006 and 2011, this program funded a total of 3,913 projects at a total cost of U.S.$366.7 million. The sectors with the largest number of projects were education and sports, with 1,506 and 868 projects, respectively, at a total cost of U.S.$199.2 million. In 2011, funding for education was primarily used for the construction of schools and the renovation of educational facilities. Funding for sports was primarily used to build and improve sports infrastructure. In 2011, funding for health was used to upgrade and expand hospitals, health clinics and medical equipment.

In the productive sector, a total of U.S.$23.5 million was invested between 2006 and 2011, mainly for the construction and improvements in infrastructure, such as the industrial park Kallutaca Laja in the municipality of La Paz. A total of U.S.$14.8 million was invested in 70 projects for road construction and improvement between 2006 and 2011.

The following table shows expenditures and projects under the "*Bolivia Cambia, Evo Cumple*" program for the four years ended December 31, 2011 and cumulative expenditures and projects since 2006:

"*Bolivia Cambia, Evo Cumple*" Program Expenditures

	2008		2009		2010		2011(1)		Cumulative (2006–2011(1))	
	Funds	Projects	Funds	Projects	Funds	Projects	Funds	Projects	Funds	Projects
	(in millions of U.S.$, except for number of projects)									
Sports	22.1	236	7.7	33	19.1	182	7.6	58	84.0	868
Education	30.4	277	7.5	69	39.0	464	9.0	135	115.2	1,506
Communal Equipment	22.1	158	9.9	40	13.7	117	4.8	33	74.0	474
Roads	7.6	8	0.5	6	2.4	23	1.5	16	14.8	70
Production	13.6	78	2.8	16	3.2	28	2.4	10	23.5	142
Irrigation	4.6	54	0.9	13	5.9	112	0.4	4	13.9	236
Health	5.3	55	0.3	3	5.7	69	0.8	6	18.8	256
Basic Sanitation	12.2	138	0.9	15	1.0	24	1.0	15	22.6	361
Total	**117.9**	**1,004**	**30.7**	**195**	**90.0**	**1,019**	**27.6**	**277**	**366.7**	**3,913**

Source: National Institute of Statistics
(1) Preliminary

International Relations

Relationship with Other Latin American Countries and the Caribbean

Our relationships with other Latin American and Caribbean countries focus on strategic areas, including the environment, energy, petrochemicals, mining, agriculture, agribusiness, education, health, culture, tourism, immigration, customs, international trade, technical and scientific cooperation, international judiciary cooperation, the financial sector and security and defense.

Argentina

Our trading relationship with Argentina is largely comprised of the purchase and sale agreements for natural gas in the hydrocarbon sector. See "The Bolivian Economy—Principal Sectors of the Economy—Petroleum and Natural Gas." A Contract of Sale of Interruptible Natural Gas was recently signed between YPFB and Energía Argentina Sociedad Anónima ("ENARSA"). In the area of border integration, we have constructed a bridge between Yacuiba Salvador Mazza, Argentina, which has the increased trade, tourism and development in the border area of Yacuiba. Through the Argentine Cooperation Fund, 25 projects in the areas of health, education, culture, environment, energy and agriculture, among others, have been implemented.

Brazil

On February 14, 2007, we signed an agreement with Brazil in which Brazil would finance the construction of bridges over the Mamoré River, linking the cities of Guayaramerín, Bolivia and Guajará-Mirim, Brazil. We signed a loan agreement with Brazil on November 30, 2007 to finance the importing of capital goods, machinery and agricultural and irrigation equipment from Brazil. On December 17, 2007, we signed an agreement with Brazil in which Brazil would finance the construction of bridges over the Papirrán River, linking the cities of Montevideo or Puerto Evo Morales in Pando, Bolivia and Placido de Castro in Acre, Brazil.

In the area of energy, several projects are currently being implemented involving Petróleo Brasileiro ("Petrobras"), Braskem and YPFB. In March 2011, our Ministers signed the Anti-Drug Cooperation Agreement and the "Action Plan for Bolivia-Brazil" to combat drug trafficking and related crimes.

Colombia

March 19, 2012 marks the 100th anniversary of the Treaty of Friendship between Bolivia and Colombia. The agreement was the first in a series of collaboration agreements that were signed between both countries, who have maintained a relationship of peace, friendship and cooperation continuously for a century.

Among our most important bilateral agreements with Columbia is the Convention on Cultural Property Recovery. We have also signed an Institutional Cooperation Agreement between our Ministry of Economic Development's Office of Productivity and Competitiveness and Columbia's Ministry of Commerce, Industry and Tourism, as well as the Convention on Cooperation for the Control of Illicit Traffic in Narcotic Drugs, Psychotropic Substances and Related Crimes, Abuse Prevention, Rehabilitation and Alternative Development. The agreement on Technical Cooperation, Science and Technology of 1998 began a fruitful relationship for South-South cooperation in several areas including agricultural and agribusiness, trade and investment, science and technology, and education and human resource development.

Cuba

Our diplomatic relations with Cuba date from January 11, 1983, when we signed the Joint Statement on the Resumption of Diplomatic Relations. Our relationship with Cuba mainly focuses on healthcare. See "Public Finances—Non-Financial Public Sector—Fiscal Balance—Expenditures—Healthcare." Some of the projects include the Comprehensive Community Hospital and the Operation Miracle mission dedicated to eye care, with coverage in nine departments of Bolivia. In the area of education, we signed a

Scholarship Program in 1999 and more than 5,834 indigent Bolivians have benefited from scholarships at universities in Cuba, where 97% of such students study medicine. We have also collaborated with Cuba on the program called "I can do it," which helped our country be declared free of illiteracy by UNESCO.

Chile

We maintained diplomatic relations with Chile from 1890 until April 1962, when relations were ended due to Chile's diversion of the Lauca River. On February 8, 1975, the Charaña Act was signed between the presidents of Bolivia and Chile, which restored diplomatic relations. However, on March 17, 1978, due to a breakdown in negotiations and a lack of commitment to the Charaña Act, we again ended diplomatic relations with Chile. In 2006, Presidents Evo Morales and Michelle Bachelet reoriented relations between our two countries onto a path of mutual understanding and corporation through the establishment of the "Thirteen Points Agenda." At the time of this Offering Memorandum, we only maintain consular relations with Chile.

The Bolivian Political Constitution declares our indispensable and irreversible right over the territories that give us access to the Pacific Ocean. We have not had direct access to the Pacific Ocean since the Treaty of Peace and Friendship of 1904 that we signed with Chile after the War of the Pacific. Since then, we have sought to reclaim lands from Chile in order to regain our access to the Pacific Ocean, which to date have been unsuccessful. In 2011, President Morales reaffirmed his intention to seek a peaceful solution to our maritime dispute with Chile through international courts.

Paraguay

Our diplomatic relations with Paraguay date from August 3, 1881 with the signing of the Border Treaty. In the Chaco War, which occurred between 1932-1935, we broke diplomatic relations with Paraguay, which were restored on July 21, 1938. Pursuant to the statement issued by heads of state of the Union of South American Nations ("UNASUR") that clear violations of due process have occurred since the breakdown of democracy in Paraguay on June 22, 2012, we do not recognize the current Paraguayan government.

Peru

Our diplomatic relations with Peru are largely based on our close geographical proximity. The key objectives of our relationship are oriented to an active and continuous cooperation on policy and coordination of physical integration, expansion of road interconnection to the Pacific border and economic complementarities of the two countries, particularly between the western region of Bolivia and the southern region of Peru.

Venezuela

A bilateral economic and trading relationship has been developed between us and Venezuela, which focuses on strategic sectors such as agribusiness, energy, foreign trade, science and technology, mining, petrochemicals and the financial sector. Specifically, we have jointly developed projects of considerable size, including the Grand National Company of Food Production, designed to increase the production of corn, wheat, soy, quinoa and trout, as well as the industrialization of other foods. In the energy sector, we have been working jointly to increase the exploitation of our energy resources, commercialize our diesel, reconstituted crude oil and fuel supply and construct power plants.

In the field of science and technology, we have been developing projects jointly with Venezuela in textiles, cement and lithium batteries, and have developed a pilot program for the production of stevia. Progress has been made in increasing trade in mining products between both countries, in particular the sale of tin to Venezuela. In regards to petrochemicals projects, we have jointly developed a project for the construction of an ammonia-urea plant in Bolivia.

Relationship with the United States of America

Our bilateral relationship with the United States of America during the government of President Evo Morales has been principally characterized by two events: the expulsion of the United States ambassador in September 2008 and the indefinite suspension of operations of the U.S. Drug Enforcement Agency ("DEA") in November 2009. Despite these events, including the exit of the DEA, the Narcotic Affairs Section of the United States of America Embassy in Bolivia continues to support counter-narcotics activities under the Bilateral Agreement on Narcotics Control signed in 2006.

In November 2008, the United States of America suspended Bolivia's trade benefits under the Andean Trade Promotion and Drug Eradication Act. In July 2009, we ended the U.S. Agency for International Development's ("USAID") program on democracy. In addition, other programs on sustainable economic growth and the environment, healthcare, integral development and economic opportunity were not extended. On November 7, 2011, we signed the "Framework Agreement for Bilateral Relations of Mutual Respect and Cooperation Between the Government of the United States of America and the Government of Bolivia." In February 2012, an agreement was signed to provide funding for health initiatives, effective for 6 years and in the amount of U.S.$22 million.

On February 28, 2012, meetings took place in La Paz between our Minister of Development Planning and the United States Deputy Assistant Secretary of State to promote measures to strengthen and deepen cooperation and bilateral relations between both countries on the basis of mutual respect and shared responsibility. In these meetings, we held discussions on topics including political and legal issues, development and narcotics as well as issues related to cooperation, including with respect to the judiciary, development, trade, the fight against drug trafficking and multilateral cooperation. These discussions led to the signing of the "Assistance Agreement to Reduce Social Exclusion in Health Care in Designated Areas of Bolivia."

Relationships with Iran and Libya

Our relationship with Iran dates back to September 2007 when we signed a framework agreement, which is the basis for various development programs, plans, projects, specific agreements and other development cooperation activities. In November 2009, we signed a convention for the installation and commissioning of a hemodialysis center in the city of El Alto and a memorandum of understanding for the research and development of industrialization processes for evaporate resources at Salar de Uyuni. In October 2010, we signed three memoranda of understanding: the first was for the industrialization of lithium batteries, the second was for a 200 million euro line of credit by Iran and the third was for the opening of a branch of the Export Development Bank of Iran in Bolivia. In addition, we signed two letters of intent for defense and industrial cooperation as well as an agreement regarding the extension of visas between our two countries. In accordance with the Bolivian Political Constitution, such international instruments must be ratified by the Plurinational Legislative Assembly in order to enter into force, which has not yet occurred.

Our relationship with Libya dates back to 2008 and primarily consists of bilateral cooperation for the development of projects in the areas of hydrocarbons, mining, industry, agriculture, infrastructure, energy and science and technology.

Relationships with International Organizations

We are a member of the United Nations and some of its specialized agencies and related programs, the Organization of American States, the Andean Community of Nations, the Non-Aligned Movement, the International Parliamentary Union, the Latin American Integration Association, the World Trade Organization, the Rio Treaty, the Rio Group, the Amazon Pact, the Union of South American Nations, the Bolivarian Alliance for the Americas, the Community of Latin America and the Caribbean States ("CELAC"), and we are an associate member of the Common Southern Market ("Mercosur"). The Union of South American Nations is a union of 12 South American nations; one of its initiatives is the creation of a single market between the respective nations through the integration of Mercosur and the Andean Community of Nations. While the exact date is currently unknown, there are plans for the parliament of the Union of South American Nations to be located in Cochabamba, the geographic center of Bolivia.

We have not had any programs with the International Monetary Fund (the "IMF") since 2006. Instead, the Central Bank and the Ministry of Economy and Public Finances sign an agreement every year to guarantee the macroeconomic stability of the country by agreeing to fiscal and monetary policy goals. Nonetheless, we continue to welcome consultations under Article IV of the IMF's Articles of Agreement, during which IMF staff collect economic and financial information and examine, in conjunction with national authorities, the changes and the effectiveness of our economic policies.

Treaties and Other Bilateral Relationships

We are a party to bilateral investment treaties with Argentina, Chile, China, Denmark, Ecuador, France, Germany, Luxembourg, Paraguay, Peru, Romania and the United Kingdom. We no longer have Bilateral Investment Treaties with Austria, Cuba, Italy, Korea, Mexico, the Netherlands, Spain, Sweden, Switzerland and the United States of America because these treaties have been terminated or allowed to expire.

National Policy Against Drug Trafficking and Reevaluation of the Coca Leaf

The cultivation and consumption of the coca leaf has been an ancestral practice in Bolivia for centuries. The Bolivian Political Constitution provides that the Government shall protect coca in its natural state, and not as a narcotic, as part of our cultural heritage and as a renewable natural resource of Bolivian biodiversity.

For centuries, a limited quantity of Bolivian coca leaf has been chewed and used in traditional rituals, but in the 1970s and 1980s the emergence of the drug trade led to a rapid expansion of coca cultivation used to make cocaine, particularly in the tropical Chapare region in the Department of Cochabamba (not a traditional coca-growing area). In 1988, law 1008 recognized only 12,000 hectares in the Yungas to be sufficient to meet the licit demand of coca. This law also explicitly stated that all "excess" coca not required to meet traditional demand for chewing or for tea and over the amount allowed by law will be eradicated. At this time, we plan to expand legal coca production to 20,000 hectares while stressing the development of legal commercial uses for coca leaves. For example, we have already successfully begun manufacturing coca liquor and toothpaste.

We maintain a National Policy Against Drug Trafficking and Reevaluation of the Coca Leaf, the main objective of which is to strengthen governance in the fight against drugs, use principles that ensure a comprehensive and sustainable coca production development, protect society from drug abuse, and control drug trafficking while maintaining the principles of respect for human rights, sovereignty, dignity and respect for the environment. The National Council for the Fight Against Trafficking in Illegal Drugs ("CONALTID") and the National Council for the Reevaluation, Production, Marketing and

Industrialization of the Coca Leaf ("CONCOCA"), along with their respective ministries of the Government and External Relations, are responsible for implementing this National Policy.

The strategic instruments of the National Policy Against Drug Trafficking and Reevaluation of the Coca Leaf include:

- A Comprehensive Development Plan with Coca, which aims to reevaluate the coca leaf through sustainable industrial production in order to improve the quality of life of the inhabitants in areas of coca production.

- A Drug Trafficking Interdiction Plan, the main objective of which is to control illicit drug trafficking, including micro-trafficking, within Bolivia and at its borders through the strengthening of security forces and strategic coordination with neighboring countries.

- A National Plan for the Prevention, Treatment and Rehabilitation of Drug Addicts.

- A Social Control Plan for the Production of Coca, which in essence is responsible for joint efforts between the Government and coca growers to maintain crop areas at acceptable levels, consistent with the traditional use of the coca leaf in Bolivia.

The following table sets forth anti-trafficking data for the periods indicated:

	Year Ended December 31,					Six Months Ended June 30,	
	2007	**2008**	**2009**	**2010**	**2011**	**2011**	**2012**
Cocaine Clorohidrate Seized *(in tonnes)*	2.92	7.25	4.92	3.39	5.61	1.10	2.88
Cocaine Processing Factories Destroyed	4,076	4,988	4,864	5,922	5,252	2,424	2,478
Coca Leaves Seized *(in tonnes)*	1,707	2,067	1,575	1,017	603	380	315
Concerted Rationalization of Coca Leaves *(in hectares)*	5,781	4,391	5,663	7,164	9,251	4,620	4,248
Forced Eradication of Surplus Coca Leaves *(in hectares)*	488	1,093	678	1,036	1,258	472	823

Source: Ministry of Social Defense and Controlled Substances

According to a recent report by the United Nations Office on Drugs and Crime, the cultivation of coca plants in Bolivia decreased by approximately 12% in 2011 to 27,200 hectares as compared to 31,000 hectares in 2010.

On June 29, 2011, we sent notification to the United Nations of our withdrawal from the Single Convention on Narcotic Drugs, 1961, as amended by the 1972 Protocol amending the Single Convention on Narcotic Drugs, 1961 (the "1961 Convention"), which took effect on January 1, 2012. In January 2012, we requested accession to the 1961 Convention with reservations related to the abolishment of coca leaf chewing. Without these reservations, our accession to the 1961 Convention would conflict with the Bolivian Political Constitution, which provides for the protection of coca in Bolivia. We intend to continue to comply with those provisions of the 1961 Convention that do not conflict with the Bolivian Political Constitution.

Seizures of Coca Leaf

Between 2007 and 2011, the Task Force to Fight Drug Trafficking (*Fuerza Especial de Lucha contra el Narcotráfico*) ("FELCN") seized 6,969 tons of coca leaf from the regions of the Yungas and the Chapare, where the coca leaves were being used for the production of cocaine. The highest rate of seizures of coca leaf was recorded in the department of Cochabamba, the main cocaine-producing area of Bolivia, followed by La Paz and Santa Cruz.

Forced Eradication of Surplus Coca Leaves

The eradication of surplus coca leaves takes place in national parks, forest reserves or other areas where cultivation is not allowed. The policy of eradication of excess coca is based on Law 1008 and has resulted in the eradication of 4,553 hectares between 2007 and 2011. In 2010, 1,036 hectares were eradicated, which rose to 1,258 hectares in 2011. During the first six months of 2012, 823 hectares were eradicated.

Concerted Rationalization

Since 2007, we have used a strategy to combat drug trafficking through social participation, dialogue, and consensus building based primarily on respect for human rights in the context of shared responsibility, dignity and sovereignty. This policy, which seeks to reduce surplus coca crop, is run by the Joint Task Force (*Fuerza de Tarea Conjunta*).

The rationalization of coca cultivation is performed in traditional areas under a framework of comprehensive development programs, consultation of leaders and social organizations, and the eradication of coca crops in illegal areas. This policy of concerted rationalization has resulted in the eradication of 32,250 hectares from 2007 to 2011. In 2010, 7,164 hectares were eradicated, which rose to 9,251 hectares in 2011. During the first six months of 2012, 4,248 hectares were eradicated.

Cocaine Seizure

Cocaine seizures are conducted by the FELCN. Between 2007 and 2011, FELCN seized 151 tons of cocaine, an increase of 208% as compared to 102 tons between 2000 and 2005.

Legal Proceedings and Processes

We are currently a party to legal proceedings and arbitrations that have been brought against us, some of them as a result of nationalizations. While we are in discussions to negotiate compensation packages with affected parties of more recent nationalizations, discussions may break down and additional legal proceedings may be brought against us.

The following table summarizes material proceedings that have been brought against us:

Parties	Forum Register	Dispute	Current Situation
Pan American Energy LLC v. Estado Plurinacional de Bolivia	On April 12, 2010, the Secretary-General of the International Centre for Settlement of Investment Disputes ("ICSID") (ICSID Case Nº ARB/10/8) registered a request for the institution of arbitration proceedings.	The claimant alleges violations of the Bolivia–United States Bilateral Investment Treaty for the nationalization of Amoco Bolivia Oil & Gas AB's shares in Chaco S.A., a holding company controlled by Pan American Energy LLC. The amount in dispute has not yet been determined.	A tribunal was constituted on August 24, 2012. We filed preliminary objections on September 7, 2012.
BP Global Investments Ltd., BP International Limited and BP Asia Pacific Holdings Ltd. V. Estado Plurinacional de Bolivia	On August 17, 2010, the claimants initiated arbitration proceedings in the Permanent Court of Arbitration in the Hague.	The claimants allege violations of the Bolivia–United Kingdom Bilateral Investments Treaty for the nationalization of their holdings in Air BP Bolivia S.A. The amount in dispute has not yet been determined.	Both parties are currently preparing a Transactional Contract for the Resolution of the Controversy to be issued by Supreme Decree, authorizing a settlement amount.
Guaracachi America Inc. and Rurelec PLC v. Estado Plurinacional de Bolivia	On November 24, 2010, the claimants initiated arbitration proceedings in the Permanent Court of Arbitration in the Hague.	The claimants allege violations of the Bolivia–United Kingdom and Bolivia–United States bilateral Investment Treaties for the nationalization of their holdings in Guaracachi S.A. They are seeking damages in excess of U.S.$142 million.	A tribunal has been constituted and a statement of claim was submitted on March 12, 2012. We submitted an objection to the jurisdiction of the tribunal on September 17, 2012.

Parties	Forum Register	Dispute	Current Situation
Jindal Steel Bolivia S.A. v. Empresa Siderúrgica el Mutún	In December 2011, the claimant initiated arbitration proceedings in the International Court of Arbitration ("CCI").	The dispute arises out of a risk-sharing contract signed on July 18, 2007 by Jindal Steel Bolivia S.A., a subsidiary of Jindal Steel and Power Ltd., and the Empresa Siderúrgicca del Mutún, a government run-mining operation. La Empresa Siderúrugica del Mutún seized two guarantee certificates of U.S.$18 million as a result of the failure of Jindal Steel Bolivia S.A. to renew the guarantee.	The arbitration is currently pending.
Abertis Infraestructuras, S.A. (España) v. Estado Plurinacional de Bolivia	On May 18, 2011, the claimant initiated arbitration proceedings in the Permanent Court of Arbitration in the Hague	The claimant alleges violations of the Bolivia–Spain Bilateral Investment Treaty arising out of Government regulation of the public airport concession granted to Servicios de Aeropuertos Bolivianos S.A., which is indirectly controlled by Abertis Infraestructuras S.A. The claimant is seeking damages in excess of U.S.$90 million.	The arbitration is currently pending.

Parties	Forum Register	Dispute	Current Situation
Quiborax S.A., Non-Metallic Minerals S.A. & Allan Fosk Kaplún v. Estado Plurinacional de Bolivia	On February 6, 2006 the Acting Secretary-General of the International Centre for Settlement of Investments Disputes registered a request for the institution of arbitration proceedings (ICSID Case No. ARB/06/2).	The claimants allege violations of the Bolivia-Chile Bilateral Investment Treaty as well as applicable Bolivian and international law arising out of the revocation of eleven mining concessions on June 23, 2004, due to alleged tax and other legal violations. The claimants seek damages in excess of U.S.$66.0 million.	We objected to the jurisdiction of the tribunal over this claim and on September 27, 2012 the tribunal issued a decision finding that it had jurisdiction.
Ocampo Cataldi v. Estado Plurinacional de Bolivia	On June 25, 2010 the claimants filed suit in the U.S. Southern District of Florida (Miami) (Case 1: 10-cv-22097-PCH).	The claimants allege the wrongful taking of land beginning in 1961 to build El Alto International Airport and are seeking compensation for the expropriation of their property. The amount in dispute has not yet been determined.	The lawsuit is currently pending.
Sociedad Boliviana de Cemento S.A. v. Gobierno Departamental Autónomo de Chuquisaca	On February 6, 2012, the claimant filed suit in the Civil and Commercial Court of Chuquisaca, Bolivia.	The claimant seeks U.S.$93 million in compensation for the nationalization of its shares in Fábrica Nacional de Cemento S.A.	In accordance with the Supreme Decree that nationalized the claimant's shares, the defendant has hired an independent third-party consultant to value the shares that were nationalized in order to provide compensation to the claimant. The valuation is currently pending.

THE BOLIVIAN ECONOMY

Overview

Our economy has historically had a single-commodity focus and developed in various phases. In the 1980s, we went from a period of hyperinflation to one of price stability, with structural adjustment measures that managed to curb the economic crisis. However, these structural adjustments also caused large social gaps and higher levels of poverty. The 1990s were marked by the changing role of the state through the privatization process that was supplemented by the capitalization of public companies. These liberalization policies continued into the beginning of the 21st century.

Beginning with the administration of President Morales in 2006, we have implemented a new economic, social, communitarian and productive model in which the public sector actively participates in boosting economic growth by channeling investment and creating state enterprises. See "—New Economic, Social, Communitarian and Productive Model." The public sector took this approach without abandoning the policy of economic surplus redistribution through government transfer programs, which have contributed to a decrease in extreme poverty, from 38.2% in 2005 to 24.3% in 2011, and moderate poverty, from 60.6% in 2005 to 48.5% in 2011. See "Bolivia—Social Welfare Programs—Government Transfer Programs." Our 2012 budget aims to drive real economic growth to 5.52% and maintain macroeconomic stability with a rate of inflation of 5%. See "Public Finances—Non-Financial Public Sector—2012 Budget."

Our development plan is ambitious, particularly in the areas of hydrocarbons, mining, electricity and infrastructure, with the total amount of planned investments over the next five years approaching our current annual GDP. While strategic control of these sectors would remain in the hands of the Government, we favor entering into partnerships with the private sector for the implementation of our development plan, with a view to improving access to modern forms of management, technology and financing. However, the implementation of certain investment projects has suffered delays and private investment remains relatively low, reflecting, in part, uncertainties over the legal framework. Nonetheless, our levels of net foreign direct investment have reached their highest levels in 12 years, at U.S.$671.8 million and U.S.$858.9 million in 2010 and 2011, respectively.

Despite the global financial crisis that began in 2008, we generally benefited from favorable economic conditions between 2006 and March 2012. Our economy and public finances strengthened significantly during this time as a result of real GDP growth, higher exports, higher hydrocarbon production, and fiscal austerity measures such as lowering the salaries of Government employees, including the President, and increasing financial transparency through the elimination of reserve funds for public authorities. Increased export volumes and prices led to a tripling of export receipts between 2005 and 2011, while real GDP growth rose from an average of 3.0% between 2000 and 2005 to an average of 4.7% between 2006 and 2011. The strength of our external and fiscal positions in recent years has allowed us to build a strong reserves cushion, while our net international investment position switched to a credit balance in 2008 and rose to the equivalent of 17.3% of GDP in 2011. See "The External Economy."

Real GDP grew by 5.2% in 2011, compared to 4.1% and 3.4% in 2010 and 2009, respectively, which was primarily the result of higher hydrocarbons production and manufacturing. Real GDP grew by 5.2% in the first three months of 2012, compared to 5.8% during the same period in 2011. Twelve-month inflation dropped slightly in 2011 to 6.9%, compared to 7.2% in 2010 and 0.3% in 2009.

New Economic, Social, Communitarian and Productive Model

The Government has set as an objective moving from a pattern of primary export to one of industrialization and productive development and we have implemented a new economic, social, communitarian and productive model to achieve this objective. This model is based on two pillars: (1) the strategic sector that generates surplus and (2) the revenue and employment sectors. Within the strategic sector, the model identifies four sectors on which we rely to generate surpluses: hydrocarbons, mining, energy and other natural resources; these are the traditional sectors from which we have historically exported raw materials. The revenue and employment sectors identified under the new model are principally those of manufacturing, tourism, housing, agriculture and livestock production. In our view, a national strategy is required in order to end our dependence on the exportation of raw materials. Our objective is to change our historic pattern of relying primarily on the exportation of raw materials and instead focus on producing and exporting value-added products. We believe that in order to make this transition it is necessary to boost the employment sector. We seek to accomplish such a boost by redistributing surpluses generated by the mining, hydrocarbon, energy and other natural resource sectors to projects in the revenue and employment sectors.

Gross Domestic Product

Between 2007 and 2011, real GDP increased at an average of 4.7% and peaked at 6.1% in 2008, the highest rate of growth in 33 years. Despite the global economic environment of 2011, which was marked by a slowdown in most developed economies, the Bolivian economy continued its steady growth trend in 2011, registering real annual GDP growth of 5.2%, compared to 4.1% in 2010 and 3.4% in 2009, which was primarily the result of increased domestic demand rather than external demand. Of the 5.2% growth in real GDP in 2011, 4.6% was due to domestic demand growth and 0.6% was due to external demand growth, compared to 1.2% and 2.9%, respectively, in 2010. The increase in domestic demand was primarily the result of increased household consumption and public and private investment. Real GDP grew by 5.2% in the first three months of 2012, compared to 5.8% in the same period in 2011.

The goods and services sectors of the economy accounted for 46.9% and 46.5% of real GDP in 2011, respectively, compared to 47.2% and 46.6% in 2010, respectively. Import duties, VAT, transaction and other indirect taxes, which are added to GDP at basic prices to arrive at total GDP, accounted for 10.5% of real GDP in 2011 compared to 9.8% in 2010. The principal sectors of the goods sector of the economy in 2010 and 2011 according to real GDP were manufacturing, accounting for 16.6% of real GDP in 2011 and 16.9% in 2010; agriculture, forestry, hunting and fishing, accounting for 12.4% of real GDP in 2011 and 12.6% in 2010; petroleum and natural gas, accounting for 6.1% of real GDP in 2011 and 6.0% in 2010; and minerals, accounting for 6.1% of real GDP in 2011 and 6.2% in 2010. Finance, insurance, real estate and business services collectively accounted for 11.5% of real GDP in 2011 and 2010, while transportation and communications accounted 11.3% of real GDP in 2011 and 11.2% in 2010. The public services sector accounted for 9.1% of real GDP in 2011 and 9.0% in 2010, while the commerce sector accounted for 8.1% of real GDP in 2011 and 8.2% in 2010.

All sectors of the economy grew in 2011. The goods sector grew by 4.4% in 2011, compared to 2.4% in 2010 and 3.1% in 2009. The agriculture, forestry, hunting and fishing sector and the minerals sector returned to positive growth in 2011 at 3.1% and 3.4%, respectively, after declining in 2010 by 1.2% and 4.1%, respectively. Manufacturing grew by 3.7% in 2011, compared to 2.6% in 2010, while petroleum and natural gas grew by 7.2% in 2011, compared to 13.9% in 2010. All sectors of the economy other than the minerals sector grew in the first three months of 2012. The agriculture, forestry, hunting and fishing sector grew by 4.0% in the first three months of 2012, compared to 4.1% in the same period in 2011. The minerals sector declined by 6.7% in the first three months of 2012, compared to growth of 1.2% in the same period in 2011. Manufacturing grew by 5.0% in first three months of 2012, compared to 2.4% in the same period in 2011, while petroleum and natural gas grew by 7.7% in the first three months of 2012, compared to 14.8% in the same period in 2011.

The services sector grew by 5.0% in 2011, compared to 5.2% in 2010 and 4.9% in 2009. The services sector grew by 5.7% in first three months of 2012, compared to 4.9% in the same period in 2011. Finance, insurance, real estate and business services grew by 5.3% in 2011 and transport and communications grew by 6.1% in 2011, compared to 5.6% and 8.0%, respectively, in 2010. Finance, insurance, real estate and business services grew by 8.3% in the first three months of 2012 and transport and communications grew by 5.1% in the first three months of 2012, compared to 5.2% and 7.6%, respectively, in the same period in 2010. Public services grew by 6.2% in 2011, compared to 3.6% in 2010, and commerce and restaurants and hotels grew by 3.7% and 3.0%, respectively, in 2011, compared to 4.0% and 3.2%, respectively, in 2010. Public services grew by 6.8% in the first three months of 2012, compared to 3.7% in the same period in 2011, and commerce and restaurants and hotels grew by 3.5% and 2.9%, respectively, in the first three months of 2012, compared to 4.0% and 3.0%, respectively, in the same period in 2011. Communal, social and personal services grew by 2.7% in 2011, compared to 3.5% in 2010. Communal, social and personal services grew by 3.3% in the first three months of 2012, compared to 2.7% in the same period in 2011.

The following table sets forth GDP at current prices and expenditures for the periods indicated:

	Year Ended December 31,										Three Months Ended March 31,			
	2007(1)		2008(1)		2009(1)		2010(1)		2011(1)		2011		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in billions of Bs., except percentages)													
Final Consumption of the Government	14.5	14.1	16.0	13.3	17.9	14.7	19.1	13.8	22.9	13.8	4.3	11.2	4.9	11.3
Final Consumption of Households and NPISH(2)	65.1	63.2	75.1	62.2	79.7	65.5	85.9	62.3	101.3	60.9	25.0	65.2	27.5	63.8
Changes in Inventories	(1.0)	(1.0)	0.4	0.3	0.6	0.5	0.6	0.4	1.0	0.6	1.9	4.9	1.9	4.4
Gross Fixed Capital Formation	16.6	16.1	20.8	17.2	20.1	16.5	22.9	16.6	31.5	19.0	5.1	13.3	6.7	15.5
Exports of Goods and Services	43.1	41.8	54.2	44.9	43.5	35.7	56.8	41.2	73.3	44.1	14.8	38.6	17.5	40.6
Less: Imports of Goods and Services	(35.3)	(34.3)	(45.8)	(38.0)	40.1	(32.9)	47.3	(34.3)	63.8	(38.4)	13.1	(34.1)	15.6	(36.1)
GDP	**103.0**	**100.0**	**120.7**	**100.0**	**121.7**	**100.0**	**137.9**	**100.0**	**166.1**	**100.0**	**38.32**	**100.0**	**43.1**	**100.0**

Source: National Institute of Statistics

The following table shows real GDP by economic sector at constant 1990 prices for the periods indicated:

Sectoral Origin of Real Gross Domestic Product

	Year Ended December 31,										Three Months Ended March 31,			
	2007		2008		2009		2010		2011		2011		2012	
	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP
	(in billions of Bs. at constant 1990 prices, except percentages)													
Agriculture, Forestry, Hunting and Fishing														
Non-Industrial Agricultural Products	1,710.0	6.0	1,794.9	5.9	1,809.4	5.8	1,839.2	5.6	1,877.1	5.5	387.4	5.0	394.4	4.9
Industrial Agricultural Products	762.8	2.7	726.1	2.4	795.3	2.5	652.0	2.0	698.4	2.0	251.9	3.3	270.12	3.3
Coca	40.3	0.1	41.4	0.1	43.0	0.1	45.0	0.1	46.4	0.1	17.2	0.2	17.6	0.2
Livestock Products	1,149.2	4.0	1,188.6	3.9	1,235.4	3.9	1,278.5	3.9	1,315.8	3.8	340.6	4.4	355.5	4.4
Forestry, Hunting and Fishing	257.7	0.9	271.4	0.9	287.4	0.9	306.7	0.9	311.2	0.9	27.9	0.4	28.7	0.4
Total	3,919.9	13.7	4,022.4	13.3	4,170.5	13.3	4,121.4	12.6	4,249.0	12.4	1,025.2	13.4	1,066.3	13.2
Petroleum and Natural Gas	1,948.3	6.8	1,988.0	6.6	1,720.0	5.5	1,960.0	6.0	2,100.5	6.1	480.6	6.3	517.5	6.4
Minerals	1,223.0	4.3	1,911.0	6.3	2,100.2	6.7	2,014.6	6.2	2,083.2	6.1	499.8	6.5	466.15	5.8
Manufacturing														
Food, Beverages and Tobacco	2,557.8	9.0	2,637.9	8.7	2,812.0	9.0	2,884.7	8.9	2,997.3	8.7	670.6	8.7	705.7	8.7
Other Industries	2,371.3	8.3	2,471.6	8.2	2,543.3	8.1	2,609.3	8.0	2,700.9	7.9	525.8	6.9	550.9	6.8
Total	4,929.1	17.3	5,109.5	16.9	5,355.3	17.1	5,494.0	16.9	5,698.2	16.6	2,176.8	15.6	2,240.2	15.6
Electricity, Gas and Water	559.6	2.0	579.6	1.9	615.0	2.0	660.1	2.0	708.8	2.1	145.4	1.9	155.0	1.9
Construction	870.8	3.1	950.9	3.1	1,053.8	3.4	1,132.4	3.5	1,223.2	3.6	157.6	2.1	175.7	2.2
Total Goods	**13,450.6**	**47.2**	**14,561.5**	**48.1**	**15,014.8**	**48.0**	**15,382.5**	**47.2**	**16,062.8**	**46.9**	**3,504.8**	**45.7**	**3,637.3**	**45.1**
Commerce	2,338.4	8.2	2,449.9	8.1	2,570.0	8.2	2,671.9	8.2	2,770.7	8.1	622.5	8.1	644.1	8.0
Transport and Communications	3,066.3	10.8	3,189.6	10.5	3,367.5	10.8	3,636.6	11.2	3,859.5	11.3	847.2	11.0	890.3	11.0
Finance, Insurance, Real Estate and Business Services	3,262.9	11.4	3,415.4	11.3	3,557.0	11.4	3,757.0	11.5	3,956.4	11.5	947.2	12.3	1,025.8	12.7
Communal, Social and Personal Services	1,205.8	4.2	1,238.1	4.1	1,282.5	4.1	1,327.2	4.1	1,362.9	4.0	335.2	4.4	346.1	4.3
Restaurants and Hotels	792.1	2.8	806.4	2.7	825.0	2.6	851.1	2.6	876.9	2.6	213.8	2.8	220.1	2.7
Public Services	2,559.3	9.0	2,657.2	8.8	2,829.5	9.0	2,932.5	9.0	3,113.7	9.1	708.7	9.2	757.1	9.4
Total Services	**13,224.8**	**46.4**	**13,756.5**	**45.4**	**14,431.5**	**46.1**	**15,176.2**	**46.6**	**15,940.1**	**46.5**	**3,674.6**	**47.9**	**3,883.5**	**48.1**
Financial Intermediation Services Indirectly Measured (FISIM)	(961.6)	(3.4)	(1,044.2)	(3.4)	(1,097.6)	(3.5)	(1,173.3)	(3.6)	(1,331.3)	(3.9)	(315.9)	(4.1)	(373.1)	(4.6)
GDP at Basic Prices	**25,713.9**	**90.1**	**27,273.7**	**90.1**	**28,348.7**	**90.6**	**29,385.4**	**90.2**	**30,671.6**	**89.5**	**6,863.5**	**89.4**	**7,147.7**	**88.6**
Import Duties, VAT, Transaction and Other Indirect Taxes	2,810.1	9.9	3,004.1	9.9	2,945.5	9.4	3,200.3	9.8	3,600.0	10.5	811.0	10.6	922.9	11.4
GDP	**28,524.0**	**100.0**	**30,277.8**	**100.0**	**31,294.3**	**100.0**	**32,585.7**	**100.0**	**34,271.6**	**100.0**	**7,674.5**	**100.0**	**8,070.6**	**100.0**

Source: National Institute of Statistics

The following table shows the rate of growth of real GDP by economic sector at constant 1990 prices for the periods indicated:

Sectoral Origin of Real Gross Domestic Product Rate of Growth

	Year Ended December 31,					Three Months Ended March 31,	
	2007	**2008**	**2009**	**2010**	**2011**	**2011**	**2012**
Agriculture, Forestry, Hunting and Fishing							
Non-Industrial Agricultural Products	(3.0)	5.0	0.8	1.6	2.1	0.6	1.8
Industrial Agricultural Products	(2.7)	(4.8)	9.5	(18.0)	7.1	10.5	7.2
Coca	2.5	2.6	3.9	4.7	3.2	4.2	2.3
Livestock Products	3.5	3.4	3.9	3.5	2.9	3.6	4.4
Forestry, Hunting and Fishing	5.7	5.3	5.9	6.7	1.5	4.9	2.9
Total	(0.5)	2.6	3.7	(1.2)	3.1	4.1	4.0
Petroleum and Natural Gas	5.2	2.0	(13.5)	13.9	7.2	14.8	7.7
Minerals	10.0	56.3	9.9	(4.1)	3.4	1.2	(6.7)
Manufacturing							
Food, Beverages and Tobacco	5.9	3.1	6.6	2.6	3.9	0.5	5.2
Other Industries	6.3	4.2	2.9	2.6	3.5	4.8	4.8
Total	6.1	3.7	4.8	2.6	3.7	2.4	5.0
Electricity, Gas and Water	4.3	3.6	6.1	7.3	7.4	8.4	6.6
Construction	14.3	9.2	10.8	7.5	8.0	8.2	11.5
Total Goods	**4.7**	**8.3**	**3.1**	**2.4**	**4.4**	**4.8**	**3.8**
Commerce	5.6	4.8	4.9	4.0	3.7	4.0	3.5
Transport and Communications	3.5	4.0	5.6	8.0	6.1	7.6	5.1
Finance, Insurance, Real Estate and Business Services	6.3	4.7	4.1	5.6	5.3	5.2	8.3
Communal, Social and Personal Services	3.1	2.7	3.6	3.5	2.7	2.7	3.3
Restaurants and Hotels	2.4	1.8	2.3	3.2	3.0	3.0	2.9
Public Services	4.1	3.8	6.5	3.6	6.2	3.7	6.8
Total Services	**4.5**	**4.0**	**4.9**	**5.2**	**5.0**	**4.9**	**5.7**
Financial Intermediation Services Indirectly Measured (FISIM)	11.3	8.6	5.1	6.9	13.5	12.9	18.1
GDP at Basic Prices	**4.4**	**6.1**	**3.9**	**3.7**	**4.4**	**4.5**	**4.1**
Import Duties, VAT, Transaction and Other Indirect Taxes	6.3	6.9	(2.0)	8.6	12.5	16.6	13.8
GDP	**4.6**	**6.1**	**3.4**	**4.1**	**5.2**	**5.8**	**5.2**

Source: National Institute of Statistics

Principal Sectors of the Economy

Manufacturing

The manufacturing sector accounted for 16.6% of real GDP in 2011, 16.9% in 2010 and 17.1% in 2009. In the first three months of 2012, the manufacturing sector accounted for 15.6% of real GDP, which was the same for the first three months of 2011. The favorable performance of our agricultural sector in 2011 provided needed inputs for the growth of food manufacturing. See "—Agriculture, Forestry, Hunting and Fishing." On the whole, the manufacturing sector grew by 3.7% in 2011, compared to 2.6% in 2010 and 4.8% in 2009. The manufacturing sector grew by 5.0% in the first three months of 2012, compared to 2.4% in the same period in 2011. The increased sugar cane harvest in 2011 allowed the industrial production of sugar and confectionery to increase by 8.4% in 2011 as compared to 2010, reversing the shortages observed in 2010, which were primarily the result of climatic factors. The food, beverages and tobacco industries increased by 3.9% in 2011. Dairy products as well as fresh and processed meats grew by 3.8% and 4.3%, respectively in 2011.

Livestock production increased by 2.9% in 2011 as compared to 2010, which was primarily the result of increased poultry production. This growth was also a result of increased maize imports by the Government and the establishment of a tariff deferral for cereal imports in order to ensure the availability of feed for poultry. See "The External Economy—Foreign Trade—Import Tariffs." Cattle and swine production also increased in 2011 as compared to 2010, despite the severe drought that occurred in the Aguaragüe mountains in southern Bolivia, growing by 2.6% and 2.7%, respectively.

Other manufacturing industries grew by 3.5% in 2011, which was primarily the result of a 10.2% increase in non-metallic mineral production in 2011 as compared to 2010, itself the result of a 10.1% increase in cement production for construction in 2011 as compared to 2010, principally in the departments of La Paz, Chuquisaca and Cochabamba. See "—Minerals." Construction activities also contributed to the 2.8% growth of metal products, machinery and equipment in 2011, which primarily produced iron bars, and to the increase in logging production for the production of lumber and wood products such as furniture and building materials. Thus, demand from the manufacturing sector also contributed to the increase in the forestry, hunting and fishing sector registered in 2011. See "—Agriculture, Forestry, Hunting and Fishing."

On September 14, 2012, YPFB signed an agreement with Samsung Engineering Co. Ltd. for the construction of an ammonia-urea plant at a cost of U.S.$843 million.

The following table shows the manufacturing sector's contribution to real GDP at constant 1990 prices by subsector for the periods indicated:

Manufacturing Sector's Contribution to Real GDP

	Year ended December 31,					Three months ended March 30,	
	2007	2008	2009	2010	2011	2011	2012
	(in billions of Bs. at constant 1990 prices						
Food, Beverages and Tobacco							
Fresh and Processed Meats	452.1	461.8	479.5	500.5	519.4	135.9	142.2
Milk Products	213.1	224.3	231.1	242.5	252.9	50.6	53.2
Grain Mill and Bakery	479.7	494.3	517.1	535.3	549.9	113.4	116.7
Sugar and Confectionery	238.5	255.1	274.3	235.8	255.6	23.9	25.2
Miscellaneous Food Products	408.6	369.9	409.8	426.1	438.6	132.2	143.5
Beverages	740.1	804.7	869.5	912.6	950.4	203.3	213.3
Tobacco	25.7	27.8	30.6	31.8	30.6	11.2	11.2
Total	**2,557.8**	**2,637.9**	**2,812.0**	**2,884.7**	**2,997.3**	**670.5**	**705.6**
Other Industries							
Textiles, Apparel and Leather Products	453.7	459.5	455.4	473.3	484.0	134.4	137.1
Wood and Wood Products	309.3	321.2	337.4	357.5	362.1	29.7	30.3
Paper and Paper Products	132.0	136.2	151.2	155.3	160.1	32.6	34.4
Substances and Chemicals	226.9	235.6	255.0	265.2	276.2	42.0	44.5
Petroleum Refinery Products	574.3	615.4	580.7	594.9	609.9	144.6	155.0
Nonmetallic Mineral Products	440.0	505.8	567.0	594.4	660.2	106.9	116.2
Metal Commodities	43.0	43.4	48.1	47.0	47.0	7.3	7.4
Metal Products, Machinery and Equipment	52.0	53.8	55.8	61.3	62.7	17.0	11.3
Miscellaneous Fabricated Products	140.0	100.7	92.6	60.4	38.8	11.3	7.9
Total	**2,371.3**	**2,471.6**	**2,543.3**	**2,609.3**	**2,700.9**	**525.8**	**550.9**
Total Manufacturing	**4,929.1**	**5,109.5**	**5,355.3**	**5,494.0**	**5,698.2**	**1,196.4**	**1,256.5**

Source: National Institute of Statistics

The following table shows the rate of growth of the manufacturing sector's contribution to real GDP at constant 1990 prices by subsector for the periods indicated:

Manufacturing Sector's Rate of Growth

	Year ended December 31,					Three months ended March 30,	
	2007	2008	2009	2010	2011	2011	2012
				(%)			
Food, Beverages and Tobacco	**5.9**	**3.1**	**6.6**	**2.6**	**3.9**		
Fresh and Processed Meats	3.7	2.1	3.8	4.4	3.8	3.1	4.7
Milk Products	4.6	5.3	3.0	4.9	4.3	3.7	5.2
Grain Mill and Bakery	4.8	3.0	4.6	3.5	2.7	3.3	2.9
Sugar and Confectionery	10.9	7.0	7.5	(14.0)	8.4	(1.9)	5.6
Miscellaneous Food Products	4.5	(9.5)	10.8	4.0	2.9	(5.0)	8.6
Beverages	7.8	8.7	8.0	5.0	4.1	0.7	5.0
Tobacco	4.4	8.2	10.1	4.0	(3.9)	(2.3)	0.6
Other Industries	**6.3**	**4.2**	**2.9**	**2.6**	**3.5**		
Textiles, Apparel and Leather Products	2.8	1.3	(0.9)	3.9	2.3	3.4	2.0
Wood and Wood Products	7.1	3.8	5.0	6.0	1.3	3.4	2.1
Paper and Paper Products	4.3	3.2	11.0	2.7	3.0	2.4	5.6
Substances and Chemicals	4.2	3.8	8.3	4.0	4.2	3.5	6.2
Petroleum Refinery Products	9.3	7.2	(5.6)	2.4	2.5	8.2	7.3
Nonmetallic Mineral Products	12.2	15.0	12.1	4.8	11.1	8.6	8.7
Metal Commodities	(10.9)	0.9	10.9	(2.3)	–	0.2	0.8
Metal Products, Machinery and Equipment	4.8	3.4	3.7	9.9	2.2	4.4	4.6
Miscellaneous Fabricated Products	(1.1)	(28.1)	(8.0)	(34.8)	(35.7)	(23.5)	(29.4)
Total Manufacturing	**6.1**	**3.7**	**4.8**	**2.6**	**3.7**	**2.3**	**5.0**

Source: National Institute of Statistics

Agriculture, Forestry, Hunting and Fishing

The agriculture, forestry, hunting and fishing sector accounted for 12.4% of real GDP in 2011, 12.6% in 2010, and 13.3% in 2009. The agriculture, forestry, hunting and fishing sector accounted for 13.2% of real GDP in the first six months of 2012 and 13.4% in the same period in 2011. In 2011, the agriculture, forestry, hunting and fishing sector experienced a significant recovery, after declining by 1.2% in 2010 and increasing by 3.7% in 2009. The 3.1% growth registered in 2011 was primarily the result of increased agricultural and livestock product production. This increased agricultural and livestock product production was itself the result of favorable climate conditions during the winter season of 2010 and the summer season of 2011 as well as Government support in the stockpiling and commercialization of agricultural products, which encouraged the recovery of this sector, public investment in irrigation and production financing. This sector's decline in 2010 was primarily the result of climate change phenomena such as "La Niña," which brought severe droughts and flooding. The agriculture, forestry, hunting and fishing sector grew by 4.0% in the first three months of 2012, compared to 4.1% in the same period in 2011.

Industrial agricultural production grew by 7.1% in 2011 as compared to 2010 after decreasing by 18.0% in 2010 as compared to 2009. Industrial agricultural production grew by 7.2% in the first three months of 2012, compared to 10.5% in the same period in 2011. Soybean and sugarcane production's contribution to real GDP grew by 11.1% and 11.5%, respectively, in 2011. This was primarily the result of increased plantation acreage for soybean production and sugarcane's return to average harvest performance after a 13.0% decline in 2010, which was primarily the result of unfavorable weather conditions. The Government incentivized sugarcane production in 2011 by providing Bs.140 million in credit through the Bank for Productive Development in order to finance the processing of sugarcane, the expansion of sugarcane plantations and the purchase of agricultural machinery.

The following table shows agricultural production for the five agriculture years (July 1st through June 30th) ended 2011–2012:

Agricultural Production

	2007–2008(1)	2008–2009(1)	2009–2010(1)	2010–2011(1)	2011–2012(1)(2)
			(in tonnes)		
Grains					
Paddy Rice	435,960	410,994	449,482	480,882	505,293
Barley Grain	47,010	47,608	47,604	44,759	43,552
Maize Grain(3)	1,000,385	1,174,447	718,014	913,000	1,015,788
Quinoa	28,809	29,873	30,900	38,291	44,262
Sorghum Grain(3)	436,133	503,038	335,536	389,533	398,858
Wheat(3)	161,553	201,508	255,356	245,367	251,820
Stimulants					
Cacao	4,357	4,510	4,652	5,612	5,650
Café	27,403	28,407	28,918	28,491	27,131
Fruit					
Bananas	149,594	154,227	158,178	165,925	168,729
Peaches	31,719	32,811	33,636	33,588	35,710
Tangerines	122,465	127,337	130,108	128,490	133,374
Oranges	161,453	165,397	170,796	169,681	174,987
Pineapples	46,808	48,074	48,986	41,662	47,691
Bananas	317,757	328,495	338,901	336,270	342,215
Grapes	23,668	24,296	25,048	25,968	25,985
Vegetables					
Garlic	7,166	7,420	7,278	7,210	7,195
Peas	21,595	22,194	22,720	20,858	20,588
Onions	80,300	78,585	81,048	78,811	78,361
Frijol Beans(3)	38,195	38,522	67,670	56,905	57,663
Haba Beans	56,466	57,419	58,609	52,851	54,086
Corn	21,736	22,195	22,190	21,311	22,013
Tomato	52,324	53,070	53,062	50,186	48,655
Agricultural Raw Materials					
Cotton	2,480	1,357	386	3,105	3,018
Sugarcane	7,458,808	7,803,800	5,891,788	5,533,856	5,842,159
Sunflowers(3)	298,642	394,207	310,841	152,652	152,652
Peanuts	13,000	13,315	13,439	14,165	14,944
Sesame	5,590	15,000	10,000	12,000	13,011
Soybeans(3)	1,225,885	1,892,619	1,917,150	2,299,857	2,320,419
Roots and Tubers					
Potatoes	935,862	956,953	975,418	966,413	1,030,839
Yucca	243,988	248,855	255,282	235,932	237,238
Fodder					
Alfalfa	183,999	190,252	193,770	187,596	179,690
Barley Cabbage	132,973	138,987	141,731	137,637	138,563

Source: National Institute of Statistics, National Agricultural Survey
(1) An agriculture year runs from July 1st through June 30th.
(2) Preliminary.
(3) Includes the winter season of the previous year, which begins on July 1st.

The following table shows the livestock population for the five years ended December 31, 2011:

Livestock Population

	2007	**2008**	**2009**	**2010**	**2011(1)**
Alpacas	347,694	355,964	364,663	373,640	383,047
Cattle	7,586,526	7,786,802	7,985,230	8,189,786	8,400,439
Goats	2,026,429	2,091,171	2,144,356	2,199,018	2,254,713
Llamas	2,428,577	2,486,169	2,547,996	2,612,058	2,677,991
Sheep	8,237,739	8,381,228	8,540,888	8,701,465	8,877,510
Pigs	2,384,934	2,502,007	2,569,864	2,640,616	2,712,800

Source: National Institute of Statistics, Ministry of Rural and Land Development
(1) Preliminary.

Petroleum and Natural Gas

The Bolivian Political Constitution provides that hydrocarbons, regardless of the state in which they are found or how they occur, are the inalienable and the permanent property of the Bolivian people. The Government, on behalf of the Bolivian people, is the owner of all hydrocarbon production in Bolivia and has sole authority over its commercialization. In addition, all income earned from the sale of hydrocarbons is the property of Bolivia.

In accordance with the Bolivian Political Constitution, we nationalized certain companies in the hydrocarbon sector in 2006. See "—Nationalizations." Since then, YPFB has had sole authority to perform the activities within the hydrocarbon production chain. YPFB forms partnerships with private companies or forms public-private companies for the exploration, exploitation, refining, manufacturing, transportation and commercialization of hydrocarbons. However, YPFB must possess at least 51% of the ownership in such partnerships or public-private companies. YPFB also enters into service contracts with public, mixed or private companies, both Bolivian and foreign, so that such companies may perform hydrocarbon-related services.

The petroleum and natural gas sector accounted for 6.1% of real GDP in 2011, 6.0% in 2010 and 5.5% in 2009. The petroleum and natural gas sector accounted for 6.4% of real GDP in the first three months of 2012 and 6.3% in the same period in 2011. In 2011, the petroleum and natural gas sector grew by 7.2%, compared to growth of 13.9% in 2010 and a decline of 13.5% in 2009. These changes were primarily the result of changes in the price of petroleum and natural gas and the recovery of the economies of Argentina and Brazil. The petroleum and natural gas sector grew by 7.7% in the first three months of 2012, compared to 14.8% in the same period in 2011.

Average daily natural gas production grew by 8.8% in 2011 as compared to 2010, while average daily natural gas production grew by 17.3% in 2010 as compared to 2009, principally in the Sábalo, San Alberto, Margarita and Bulo Bulo fields, where production increased by 2.1%, 6.1%, 24.0% and 42.1%, respectively, in 2011 as compared to 2010. These four fields accounted for approximately 67% of total natural gas production in 2011. Gross production of natural gas averaged 43.45 million cubic meters per day in 2011, compared to 39.93 million cubic meters per day in 2011. Gross production of natural gas averaged 44.34 million cubic meters per day in the first three months of 2012, compared to 41.56 million cubic meters per day in the same period in 2011.

The growth of natural gas production in 2011 was primarily the result of two factors. The first was the increased demand for natural gas by Argentina as a result of the Juana Azurduy international pipeline, which was inaugurated by us and Argentina in June 2011. As a result, the volume of natural gas transported to Argentina increased from an average of 4.8 million cubic meters per day in 2010 to an average of 7.6 million cubic meters per day in 2011, reaching an average of 10 million cubic meters per day during December 2011. See "The External Economy—Foreign Trade—Imports and Exports." The second factor was increased domestic demand, the result of the process of domestic natural gas installation, the conversion of the public transport vehicle fleet to natural gas and increased consumption by industries. As a result, the domestic market for natural gas increased by 14.1%, from an average of 6.8 million cubic meters per day in 2010 to an average of 7.7 million cubic meters per day in 2011.

Natural gas is currently exported exclusively to Brazil and Argentina through natural gas purchase and sale agreements with ENARSA, a company managed by the state of Argentina, and Petrobras, a partially state-owned Brazilian company. The value of natural gas exports grew by 38.9% in 2011 as compared to 2010, which was primarily the result of increased natural gas exports by volume to Argentina and an increase in prices for natural gas exports.

The natural gas purchase and sale agreement between YPFB and ENARSA was signed in 2006 and has a 20 year duration from 2007 through 2026. It provides for an initial minimum volume of 7.7 million cubic meters per day during the first three years. On March 26, 2010, the first addendum to this agreement was signed, which set mandatory minimum receipt and delivery volumes and commercial guarantees beginning May 1, 2010. The addendum provided for a minimum quantity of 7.7 million cubic meters per day in 2011 and provides for a minimum quantity of 11.6 million cubic meters per day in 2012. Export prices of natural gas to Argentina, as stipulated in the agreement, are calculated and applied quarterly based on a basket of fuel prices, as described below. In 2011, an average of 7.4 million cubic meters of natural gas per day were exported to Argentina at an average price of U.S.$9.32 per thousand cubic feet. In 2010, an average of 7.5 million cubic meters of natural gas per day were exported to Argentina at an average price of U.S.$10.26 per thousand cubic feet.

Natural gas exported to Brazil is primarily used to generate electricity. The natural gas purchase and sale agreement between YPFB and Petrobras was signed in 1996 and has a 20 year duration from 1999 through 2018. The agreement initially provided for 16 million cubic meters per day. Two addenda have since been signed, which establish a maximum volume of 30.08 million cubic meters per day. In 2011, an average of 27.15 million cubic meters per day were delivered. Export prices of natural gas to Brazil, as stipulated in the agreement, are calculated and applied quarterly based on a basket of fuel prices, as described below. In 2011, an average of 26.9 million cubic meters of natural gas per day were exported to Brazil at an average price of U.S.$8.36 per thousand cubic feet. In 2010, an average of 26.9 million cubic meters of natural gas per day were also exported to Brazil but at an average price of U.S.$6.64 per thousand cubic feet.

The export prices of natural gas to both Argentina and Brazil are based on a basket of fuel prices that are traded on the international market and are correlated to the movement of the West Texas Intermediate ("WTI") crude oil price. The fuel prices that make up the basket for each contract are different, although three of the four fuel prices that are used in the contract with ENARSA are also used in the contract with Petrobras. The export price for the contract with Petrobras is fixed quarterly, with half of the price based on the basket of fuel prices from the previous quarter and half of the price based on the price of the previous quarter. The export price for the contract with ENARSA is similarly calculated, except that the international price of diesel fuel is included in the basket of fuel prices and an average over the last six months is used.

Natural gas exports during the first five months of 2012 averaged 36.9 million cubic meters per day, compared to 43.2 million cubic meters per day during the first five months of 2011. Exports to Argentina averaged 9.3 million cubic meters per day during the first five months of 2012, compared to 6.8 million cubic meters per day during the first five months of 2011, while exports to Brazil averaged 26.6 million cubic meters per day during the first five months of 2012, compared to 27.0 million cubic meters per day during the first five months of 2011.

Average daily petroleum production grew by 3.7% in 2011 as compared to 2010, while average daily petroleum production grew by 5.1% in 2011 as compared to 2010, which resulted in a boost to the manufacturing of refined oil for the domestic market in 2011. Gross petroleum production averaged 44.40 thousand barrels per day in 2011, compared to 42.81 thousand barrels per day in 2010. Gross petroleum production averaged 45.11 thousand barrels per day in the first three months in 2012, compared to 42.58 thousand barrels per day in the same period in 2011.

We refine petroleum to produce gasoline, diesel fuel and liquefied petroleum gas, all of which are in high demand in the domestic market. In 2011, 93.27% of YPFB's petroleum sales by volume to refineries were sold to two high-capacity refiners, both owned by YPFB Refinación, a fully owned subsidiary of YPFB. The remaining 6.73% was sold to the Oro Negro refinery.

The largest refined fuel that we produce is "special gasoline" with a minimum octane level of 82, as compared to premium gasoline, which has a minimum octane level of 90. The refineries of YPFB Refinación accounted for 93.6% of special gasoline production in 2011, while the Oro Negro refinery accounted for the remaining 6.4%. Special gasoline production averaged 14,344 barrels per day in 2011, a decrease of 1.1% as compared to 2010. The most productive months in 2011 were August, September and November, in which production volumes were 16,781, 17,449 and 18,105 barrels per day, respectively.

Diesel fuel is the second largest refined fuel produced in Bolivia. The refineries of YPFB Refinación accounted for 90.6% of diesel fuel production in 2011, while the Oro Negro refinery accounted for the remaining 9.4%. Diesel fuel production averaged 11,718 barrels per day in 2011, an increase of 5.9% as compared to 2010.

Liquefied petroleum gas is the third largest refined fuel produced in Bolivia. The refineries of YPFB Refinación accounted for 96.2% of liquefied petroleum gas production in 2011, while the Oro Negro refinery accounted for the remaining 3.8%. Liquefied petroleum gas production averaged 235.9 barrels per day in 2011, an increase of 4.2% as compared to 2010.

We import diesel fuel and liquefied petroleum gas in order to satisfy domestic demand. Diesel fuel imports averaged 407,789 barrels per month in 2011, an increase of 11.6% as compared to 2010. During the first half of 2011, diesel fuel imports were well below average, with March registering the lowest import volume of 267,046 barrels. During the second half of 2011, diesel fuel imports exceeded the average, with September registering the highest import volume of 555,200 barrels.

Liquefied petroleum gas imports averaged 92.37 tonnes per day in 2011, an increase of 63.6% as compared to 2010. October registered the highest average import volume of 124.20 tonnes per day in 2011, while January registered the lowest average import volume of 42.74 tonnes per day.

We provide fuel subsides to the general population, which resulted in the domestic price of special gasoline representing on average 40% of international prices in 2011, in order to support domestic production and decrease imports. The total cost of these subsidies was Bs.1,188.3 million in 2011, Bs.494.7 million in 2010, and Bs. 155.0 million in 2009.

The following table shows daily average natural gas and petroleum production for the periods indicated:

Average Daily Natural Gas and Petroleum Production

	Year ended December 31,					Three months ended March 31,	
	2007	**2008**	**2009**	**2010**	**2011**	**2011**	**2012**
Natural Gas (*in millions of cubic meters per day*)							
YPFB Corporation[(1)]	8.67	8.51	7.04	8.09	9.31	8.65	9.93
Other operators[(2)]	29.47	31.15	27.00	31.85	34.13	32.91	34.41
Total	**38.15**	**39.66**	**34.04**	**39.93**	**43.45**	**41.56**	**44.34**
Petroleum (*in thousands of barrels per day*)							
YPFB Corporations [(1)]	10.69	9.29	8.09	7.45	8.22	7.69	9.04
Other operators[(2)]	38.56	37.47	32.66	35.36	36.18	34.89	36.11
Total	**49.24**	**46.76**	**40.75**	**42.81**	**44.40**	**42.58**	**45.11**

Source: Ministry of Hydrocarbons and Energy
(1) YPFB Chaco S.A and YPFB Andina.
(2) Repsol YPF E&P Bolivia S.A, Pluspetrol, Petrobras Bolivia S.A, Petrobras Energia Sucursal Bolivia, BG Bolivia Corporation, Vintage Petroleum Boliviana LTD, Total, Dong Wong, Canadian Energy Enterprises Bolivia and Matpetrol S.A. These companies operate pursuant to operating contracts with YPFB.

Minerals

The Bolivian Political Constitution directs the Government to assume control and direction over the exploration, exploitation, industrialization, transportation and commercialization of strategic natural resources through public, cooperative, or community entities, which in turn can hire private companies and form joint ventures. In addition, the Bolivian Political Constitution requires that the Government be responsible for our soil and subsoil mineralogical wealth.

There were 196 registered producers and exporters of minerals in 2011, of which two were state-owned companies. The Government currently leases and enters into joint venture mining contracts. A fee is paid in connection with leases while, in the case of joint ventures, contracts are agreed to divide the profits between the company and Bolivia. The new Mining Law will provide for several types of authorizations or contracts, including for exploration, association contracts with cooperatives and contracts between non-state mining operators. The Mining Law is intended to comply with the Bolivian Political Constitution, which sets new rules according to changes in the country, including, among other things, the "migration" from a concession regime to a new administrative contracts regime. The Mining Law is under discussion among all mining stakeholders.

Salar de Uyuni, the largest lithium reserve in the world, is located in Bolivia and we have implemented a national strategy for lithium development, in accordance with our new economic, social, communitarian and productive model, in which we use this natural resource to increase our value-added industrial capacity in an environmentally sustainable manner. There are numerous potential applications for lithium, including the production of lithium ion cathodes for batteries. With a view towards the global market, we signed an agreement in principle with a South Korean consortium consisting of Korea Resources Corp. ("KORES") and steelmaker POSCO in early 2012 for the development and production of lithium ion cathodes. The principal objectives of the project are to design and implement a pilot plant for cathode production (as a prelude to the construction of an industrial plant) and to develop appropriate and adequate technology for the creation of a cathode materials industry in the form of a joint venture with the South Korean consortium. We are in the beginning of an 18-month pilot phase for this project, which began on July 5, 2012. After the pilot phase, we will begin an industrialization phase to begin the production of lithium ion batteries.

The minerals sector accounted for 6.1% of real GDP in 2011, 6.2% in 2010 and 6.7% in 2009. The minerals sector accounted for 5.8% of real GDP in the first three months of 2012 and 6.5% in the same period in 2011. In 2011, the mining sector rebounded considerably from 2010, registering growth of 3.4% in 2011 after declining by 4.1% in 2010 and increasing by 9.9% in 2009. This increase in 2011 was primarily the result of an increase in lead, zinc, gold and tin mining. The decrease in 2010 was primarily the result of internal production events. Because over 80% of the gross value this sector is for export (the remaining for inventory buildup and manufacturing), the production and commercialization of minerals are closely linked to international prices and external commercial expectations. In 2011, the strong rise of mineral prices in international markets encouraged the production of lead, zinc and tin, which increased by 37.4%, 3.5% and 1.0%, respectively, as compared to 2010. The minerals sector declined by 6.7% in the first three months of 2012, compared to growth of 1.2% in the same period in 2011, primarily due to heavy rains that hindered production, a decrease in the purity of silver, lead and zinc extracted and the depletion of certain mineral veins, principally gold.

The 3.6% decrease in silver production in 2011 as compared to 2010 was primarily the result of decreased production by the company Minera San Cristóbal because of work stoppages in February and March 2011 as workers demanded better working conditions after the death of a miner in early February 2011. Copper production in Coro Coro began in 2009 and registered an increase of 74.3% in 2011, although copper's overall contribution to this sector is not significant.

The following table shows mineral production for the periods indicated:

Mineral Production

	Year ended December 31,					Six months ended June 30,	
	2007	2008	2009	2010	2011[1]	2011[1]	2012[1]
	(*in fine tonnes, except gold*)						
Copper	606.2	730.9	881.7	2,062.9	4,176.5	2,088.2	4,062.0
Lead	22,797.5	81,602.2	84,537.6	72,803.3	100,051.1	50,025.5	37,644.3
Gold[2]	8.8	8.4	7.2	6.4	6.5	3.3	1.0
Zinc	214,053.3	383,617.7	430,879.3	411,408.5	427,128.5	213,564.2	180,467.0
Tin	15,972.1	17,319.6	19,574.8	20,189.7	20,372.6	10,186.3	8,396.4
Silver	525.0	1,113.8	1,325.7	1,259.4	1,213.6	606.8	544.1
Tungsten	1,395.5	1,447.6	1,290.5	1,517.6	1,417.6	708.8	640.2
Antimony	3,881.3	3,905.1	2,990.1	4,980.1	3,947.3	1,973.6	2,418.2

Source: Ministry of Mining and Metallurgy
(1) Preliminary.
(2) In fine kilograms.

Finance, Insurance, Real Estate and Business Services

Finance, insurance, real estate and business services collectively accounted for 11.5% of real GDP in 2011 and 2010 and 11.4% in 2009. Finance, insurance, real estate and business services accounted for 12.7% of real GDP in the first three months of 2012 and 12.3% in the same period in 2011. The finance, insurance, real estate and business services sector continued its positive growth in 2011, growing by 5.3% in 2011, compared to 5.6% in 2010 and 4.1% in 2009. This increase was primarily the result of the 10.8% growth in financial business services due to increased public confidence in the financial system, as reflected in the growth of deposits and low interest rates. There was also a significant growth of credit to small and medium enterprises and microcredit in 2011. Credit risk has decreased since 2006 as our economy has become increasingly "bolivianized." See "The Monetary System." The finance, insurance, real estate and business services sector grew by 8.3% in the first three months of 2012, compared to 5.2% in the same period in 2011.

Transport and Communications

The transportation and communications sector accounted for 11.3% of real GDP in 2011, 11.2% in 2010, and 10.8% in 2009. In the first three months of 2012, the transportation and communications sector accounted for 11% of real GDP, which was the same percentage as in the first three months of 2011. In 2011, the transport and communications sector grew by 6.1%, compared to 8.0% in 2010 and 5.6% in 2009, which was primarily the result of increased road transport of cargo, air transport and pipeline usage. The primary cause of the 9% increase in pipeline usage in 2011 as compared to 2010 was the growth in petroleum and natural gas production, which was primarily caused by investments made in 2010 that increased the production of petroleum and natural gas and increased exports to Argentina. Interdepartmental and international road transport of cargo grew by 5.6% in 2011 as compared to 2010, which was primarily the result of increased agribusiness and commercialization activity. The transport and communications sector grew by 5.1% in the first three months of 2012, compared to 7.6% in the same period in 2011.

Air transport grew by 19.1% in 2011 as compared to 2010. Since the state-owed airline Boliviana de Aviación began operations in 2009, air transportation has grown every year. In 2010, Boliviana de Aviación added international routes to Buenos Aires, Argentina and São Paulo, Brazil. It also tested new international routes in 2011 to Lima, Peru and Caracas, Venezuela and plans to establish fixed routes to these destinations in the future.

Other than Entel, the communications sector consists of private companies. There are 39 companies that offer public telephone service, 28 companies that only offer local telephone service, 21 companies that offer national and long distance service, three companies that only offer long distance service and three companies that offer cellular phone service. Empresa Nacional de Telecomunicaciones ("Entel"), a state-owned company, is the largest telecommunications provider in Bolivia.

In the framework of the strategy to implement new information and communications technology, the government has authorized the purchase of a satellite, called "Tupac Katari," which will be put into orbit in 2013 or 2014. The satellite is being built by Great Wall Industry Corporation, a Chinese company, for approximately U.S.$245 million. This satellite is expected to be functional for 15 years and will provide communication services throughout the country.

We currently have plans to provide additional cellular frequencies to existing cellular phone operators in the 1900 MHz band. We also plan to provide greater mobile service coverage in rural areas under the National Telecommunications Social Inclusion Program (*Programa Nacional de Telecomunicaciones de Inclusión Social*) and by offering regulatory incentives to operators.

Construction

The construction sector accounted for 3.6% of real GDP in 2011, 3.5% in 2010, and 3.4% in 2009. The construction sector accounted for 2.2% of real GDP in the first three months of 2012 and 2.1% for the same period in 2011. In 2011, construction activity continued to increase, growing by 8.0% in 2011, compared to 7.5% in 2010 and 10.8% in 2009, which was primarily the result of record levels of public investment in infrastructure, which totaled U.S.$958 million in 2011, an increase of 32.2% as compared to 2010. Among other parts of the economy, construction contributed to a 10.0% increase in cement sales and a 45.1% increase in imports of construction materials by volume in 2011 as compared to 2010. The construction sector grew by 11.5% in the first three months of 2012, compared to 8.2% in the same period in 2011.

Public Services

The public services sector produces services for public consumption. The public services sector accounted for 9.1% of real GDP in 2011 and 9.0% in 2010 and 2009. The public services sector accounted for 9.4% of real GDP in the first three months of 2012 and 9.2% in the same period in 2011. In 2011, the public services sector grew by 6.2%, compared to 3.6% in 2010 and 6.5% in 2009. The public services sector grew by 6.8% in the first three months of 2012, compared to 3.7% in the same period in 2011.

Commerce

The commerce sector is composed of both wholesale and retail sales of new and used goods. The commerce sector accounted for 8.1% of real GDP in 2011 and 8.2% in 2010 and 2009. The commerce sector accounted for 3.5% of real GDP in the first three months of 2012 and 4.0% in the same period in 2011. In 2011, the commerce sector grew by 3.7%, compared to 4.0% in 2010 and 4.9% in 2009. The commerce sector grew by 8.0% in the first three months of 2012, compared to 8.1% in the same period in 2011.

Communal, Social and Personal Services

The communal, social and personal services sector includes education, health, recreational and repair services. The communal, social and personal services sector accounted for 4.0% of real GDP in 2011 and 4.1% in 2010 and 2009. The communal, social and personal services sector accounted for 4.3% in the first three months of 2012 and 4.4% in the same period in 2011. In 2011, the communal, social and personal services sector grew by 2.7%, compared to 3.5% in 2010 and 3.6% in 2009. The communal, social and personal services sector grew by 3.3% in the first three months of 2012, compared to 2.7% in the same period in 2011.

Restaurants and Hotels

The restaurants and hotels sector accounted for 2.6% of real GDP in 2011, 2010 and 2009 and grew by 3.0% in 2011, compared to 3.2% in 2010 and 2.3% in 2009. The restaurants and hotels sector accounted for 2.7% of real GDP in the first three months of 2012 and 2.8% in the same period in 2011 and grew by 2.9% in the first three months of 2012, compared to 3.0% in the same period in 2011.

The restaurants and hotels sector is an important component of tourism in Bolivia. Currently, tourism directly generates approximately 266,000 jobs and is an important strategic sector of the economy that affects various other sectors and sub-sectors, including transportation, crafts, food, travel agencies and tour operators. According to the 2010 National Tourism Registry, 79% of all tourism service providers were micro- and small businesses. Given the potential benefits of increased tourism, we have created a national fund to promote tourism development.

Electricity, Gas and Water

The electricity, gas and water sector accounted for 2.1% of real GDP in 2011 and 2.0% in 2010 and 2009. The electricity, gas and water sector accounted for 1.9% of real GDP in the first three months of both 2012 and 2011. The electricity, gas and water services sector grew by 7.4% in 2011, compared to 7.3% in 2010 and 6.1% in 2009, which was primarily the result of increased domestic demand. The electricity, gas and water services sector grew by 6.6% in the first three months of 2012, compared to 8.4% in the same period in 2011.

Gas consumption increased by 10.3% in 2011, which was primarily the result of the expansion of the domestic gas network. Domestic gas service is exclusively provided by YPFB. Electricity consumption also increased in 2011, which was primarily the result of an increase in domestic household consumption, increased consumption by businesses that use at least 10 kW of power and increased consumption by industry.

As of June 30, 2012, there were 12 electric power companies in the Interconnected National System (*Sistema Interconectado Nacional*), seven of which were state-owned and five of which were privately owned. State-owned companies accounted for 76.2% of electricity production as of June 30, 2012 and private companies accounted for the remaining 23.8%. As of June 30, 2012, there were three electric transmission companies in the Interconnected National System, two of which were state-owned and one privately owned. State-owned companies accounted for 80.5% of electricity transmission as of June 30, 2012 and privately owned companies accounted for the remaining 19.5%. As of June 30, 2012, there 19 electricity distribution companies in the Interconnected National System, 7 of which were state-owned and 12 of which were privately owned. State-owned companies accounted for 28.2% of electricity distribution, while private companies accounted for the remaining 71.8%.

Nationalizations

Recent nationalizations in Bolivia are part of a process to recover strategic sector companies. The Bolivian Political Constitution establishes that the natural resources of Bolivia are the direct, indivisible and inalienable property of the Bolivian people and that the Government will act in the collective interest of the people. The National Development Plan outlines the exact strategy of the Government to reassert its role in the strategic sectors of hydrocarbons, minerals, telecommunications, water and electricity, all of which are considered of universal access under the Bolivian Political Constitution.

As part of the process of restoring public ownership in these sectors, the government has undertaken a number of nationalizations. Proposed nationalizations have arisen where private companies have reported low levels of investment, where the surpluses of raw materials were exported and where there was no contribution to the accumulation of domestic capital and its industrialization, resulting in low profits to Bolivia. The proposed changes in the nationalization process lie in regaining national sovereignty over "strategic resources," enhancing public enterprises as key players in the supply chain, defining rules by signing new contracts with foreign companies and increasing the portion of income retained by Bolivia.

In the nationalizations we provide compensation to investors with valuations based on the value of the investment and revenues declared by the companies, subject to negotiation with the investors in such nationalized businesses. Additionally, only previously government-owned companies or companies that have government concessions and fail to meet their investment programs as established at the time of the award have been nationalized.

The goal of the nationalization process and renegotiation of contracts with private companies is to increase the levels of investment in these sectors, increase the use of raw materials in Bolivia for value-added production farther along the supply chain (increasing industrialization in Bolivia), and to keep the profits of these industries in Bolivia for re-investment in the economy and the Government's social welfare programs.

The following table shows a summary of major entities nationalized, the proceeds paid by Bolivia and whether proceedings have been brought.

Summary of Major Entities Nationalized

Entity	Year	Sector	Compensation Paid in U.S.$ millions	Legal Proceedings
Aguas del Illimani S.A.	2006	Water	5.5(1)	None
Empresa Metalúrgica Vinto S.A.	2007	Minerals	None	None
Petrobras Bolivia Refinación S.A.	2007	Hydrocarbons	112	None
Compañía Logística de Hidrocarburos Bolivia S.A.	2008	Hydrocarbons	12.0	None
Empresa Nacional de Telecomunicaciones S.A.	2008	Telecommunications	100.0	None
Transredes S.A.	2008	Hydrocarbons	Pending	None
Andina S.A.	2008	Hydrocarbons	6.2	None
Chaco S.A.	2009	Hydrocarbons	None	In process
Corani S.A.	2010	Power	18.7(2)	Settled(3)
Fábrica Nacional de Cemento S.A.	2010	Manufacturing	Pending	In process
Guaracachi S.A.	2010	Power	None	In process
Valle Hermoso S.A.	2010	Power	10.2(4)	None
Colquiri zinc and tin mine	2012	Mineral	Pending(5)	None
ELFEC S.A.	2012	Power	Pending	None
Transportadora de Electricidad S.A.	2012	Power	Pending(6)	None

Source: Ministry of Mining and Metallurgy, Ministry of Hydrocarbons and Energy, Ministry of Environment and Water and Ministry of Works, Services and Housing

(1) U.S$5.5 million was paid to Aguas Del Illimani S.A. in treasury bonds.

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

(3) Carlson Dividend Facility S.A. did not initiate proceedings. The proceedings with Inversiones Econergy Bolivia S.A., GDF SUEZ, Econergy International and Econergy Bermuda Holding Company Ltd. were settled for U.S.$18,425,000.

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

(5) The Supreme Decree required the payment of compensation due to the nationalization of the machinery, equipment and inputs from Compañía Minera Colquiri S.A.

(6) The Supreme Decree required the valuation of TDE S.A investments done in the company by an independent valuation company. Currently we are within the 120 days established to hire an independent valuation company.

Hydrocarbons

The nationalization decree "Heroes del Chaco," which follows the requirements of the Bolivian Political Constitution and the binding Referendum of July 2004, mandated the recovery of ownership, possession, total and absolute control of hydrocarbons and their nationalization to Bolivia. The "Heroes del Chaco" decree stated that, as of May 2006, all oil and gas companies that operate within Bolivian borders must deliver all production to YPFB for its commercialization. It allowed YPFB to determine the conditions of such commercialization, such as the volume and prices for sale to the domestic market and the export and industrialization of production. Separately, the decree provided for an 180-day transition period for oil and gas companies to enter into new contracts that met constitutional and other legal requirements. In addition, YPFB could no longer grant hydrocarbon exploitation contracts without the individual contract being authorized by the Plurinational Legislative Assembly.

During the 180-day transition period, a temporary regime applied directly to the mega-gas fields of San Alberto and Sábalo. Petrobras Bolivia S.A., the operator of these fields, renegotiated and signed new contracts.

In June 2007, and through negotiations between YPFB and Petrobras Bolivia Refinación S.A., we purchased, on behalf of YPFB Refinación S.A., the Gualberto Villarroel refinery in Cochabamba and the Guillermo Elder Bell refinery in Santa Cruz for U.S.$112 million. YPFB Refinación S.A. currently processes more than 90% of our oil production.

In May 2008, we nationalized the shares held by Oiltanking Investments Bolivia S.A. and Graña y Montero S.A. in Compañía Logística de Hidrocarburos Bolivia S.A. for U.S.$12 million, though which YPFB took control of Bolivia's liquid fuel pipelines and storage plants.

In June 2008, we nationalized the shares held by TR Holdings Ltda. in Transredes S.A., recovering control of their oil and gas pipelines.

In October 2008, Repsol YPF signed an agreement with YPFB for the sale of some of its shares in Andina S.A. in order for YPFB to own a majority interest in Andina S.A. for U.S.$6.2 million.

In January 2009, we nationalized the shares held by Amoco Bolivia Oil & Gas AB in Chaco S.A., which gave YPFB control of 99% of the shares in Chaco S.A. Pan American Energy LLC, which controlled Amoco Bolivia Oil & Gas AB, initiated an arbitration proceeding against us in connection with this nationalization. See "Bolivia—Legal Proceedings and Processes."

While YPFB, a state company under the supervision of the Ministry of Hydrocarbons and Energy, has had sole authority to perform the activities within the hydrocarbon production chain, private participation in hydrocarbon exploration, exploitation, refining, manufacturing, transportation and commercialization continues. See "The Bolivian Economy—Principal Sectors of the Economy—Petroleum and Natural Gas."

Minerals and Mining

After events that occurred in the Huanuni Mining Center in October 2006 between miners, we issued a Supreme Decree that provided that COMIBOL would assume the control of Cerro Posokoni and would manage and administer the nationalized tin deposits of the Huanuni Mining Center.

In February 2007, we nationalized the Vinto tin smelter, part of the Vinto metallurgical complex and operated by Sinchi Wayra S.A., due to violations that were committed during the bidding process that was won by the firm Allied Deals PLC in 1999.

In May 2007, we issued a Supreme Decree that declared all of the country's mining reserves, including mineralogical, metallic, nonmetallic, brine water, precious and semiprecious stones, to be the property of the Government. This Supreme Decree also gave COMIBOL the power and authority to operate and administrate such resources, while maintaining rights over mining areas that had previously been granted.

In May 2010, we nationalized the Vinto antimony plant, operated by Sinchi Wayra S.A., which completed our nationalization of the Vinto metallurgical complex.

In June 2012, COMIBOL took over control of the Colquiri mining center as well as the management and administration of the mineral deposit concessions that had been granted to Sinchi Wayra S.A. We also nationalized the machinery, equipment and supplies of Colquiri Mining Company S.A. and Sinchi Wayra S.A.

In August 2012, we nationalized the following special transitory mining authorizations: (i) "Mallku Khota," which had been granted to Exploraciones Mineras Santa Cruz Ltda., and (ii) "Jalsuri," "Alkasi," "Cobra," "Viento," "Takhuani," "Takhaua," "Daniel," "Antacuna," "Norma" and "Silluta," which had been granted to Mallku Khota S.A.

Telecommunications and Electricity

In May 2008, we nationalized Entel and we paid U.S.$100 million to Euro Telecom International NV for its shares in Entel as valued by an external consultant. Since the nationalization of Entel, part of the revenues it generates have been invested in social projects, which had not been done prior to nationalization, and its strategy is now to provide wider coverage at lower cost.

In May 2010, we nationalized the electric companies Valle Hermoso S.A., Guaracachi S.A. and Corani S.A. We paid the shareholders of Valle Hermoso S.A. approximately U.S.$10.2 million. We paid the shareholders of Corani S.A. approximately U.S.$18.4 million. Guaracachi America Inc. and Rurelec PLC initiated an arbitration proceeding against us in connection with the nationalization of Guaracachi S.A. See "Bolivia—Legal Proceedings and Processes." On the same date, we nationalized shares in Empresa de Luz y Fuerza Eléctrica Cochabamba S.A. ("ELFEC") in order to ensure Government control and management of the company.

In May 2012, we nationalized Transportadora de Electricidad S.A. ("TDE"), a subsidiary of the Spanish company Red Eléctrica de España, due to our view that TDE was making low levels of investment in the Bolivian economy. We have stated that Red Eléctrica de España will receive a fair return on the investments it has made in the company.

Other Sectors

In January 2007, we finalized the nationalization of Aguas del Illimani S.A., a water utility for La Paz, El Alto and surrounding areas. All of the shares in Aguas del Illimani S.A. were transferred to the National Fund for Regional Development ("FDNR") in exchange for Treasury bonds in the amount of U.S.$5,500,000 and the payment of the capital debt balance kept by Aguas del Illimani S.A. with the International Finance Corporation, the Inter-American Development Bank and Corporación Andina de Fomento.

In September 2010, we nationalized the shares of Fábrica Nacional de Cemento that were held by Sociedad Boliviana de Cemento S.A. These shares had been privatized and transferred to Sociedad Boliviana de Cemento S.A. in 1999.

Employment and Labor

General

Unemployment fell to 5.5% in 2011, compared to 5.7% in 2010 and 7.4% in 2009 This decrease was primarily the result of historic levels of public investment, an increase in the formation of new companies, the expansion of the education and health sectors and government policies designed to incentivize employment. For example, the Minister of Labor, Employment and Social Services runs a program called "My First Proper Employment" (*Mi Primer Empleo Digno*) which provides technical training to economically disadvantaged youths and has contributed to lowering unemployment.

The national monthly minimum wage nearly doubled between 2005 and 2011, from Bs.440 in 2005 to Bs.815.4 in 2011. Between 2006 and 2011, the national minimum wage increased by 66% in nominal terms. On May 1, 2012, we announced an increase in the national monthly minimum wage to Bs.1,000.0, which primarily benefited Government and factory workers and an 8% salary increase for workers in the health and education sectors and the police and armed forces. The purpose of these significant increases has been primarily to preserve the real purchasing power of workers.

The following table shows certain labor force and employment data for the five years ended December 31, 2011:

Labor Force and Employment(1)

	2007	2008	2009	2010	2011
		(in thousands of persons, except percentages)			
Total Population	9,827.5	10,027.6	10,227.3	10,426.2	10,624.5
Labor Force	4,927.4	5,062.8	5,183.2	n.a.	n.a.
Employed Labor Force	4,672.4	4,918.9	5,011.1	n.a.	n.a.
Unemployed Labor Force	255.0	143.9	172.0	n.a.	n.a.
Unemployment Rate (%)	7.7	6.9	7.4	5.7	5.5(2)
Labor Force Participation Rate (%)	50.1	50.5	50.7	n.a.	n.a.

Source: Social and Economic Policy Analysis Unit
(1) The National Institute of Statistics changed its survey methodology in 2010 for employment and unemployment data. Prior to 2010, surveys were conducted on the national level. Beginning in 2010, surveys are conducted only in the capital cities and in El Alto.
(2) Preliminary.

Government Employment

Since 2006, the number of civil servants grew steadily, which was primarily the result of a larger presence of the Government in the country's strategic sectors. See "—Nationalizations."

The following table shows certain government employment data for the five years ended December 31, 2011:

Government Employment

	2007		2008		2009		2010		2011(1)	
	Beneficiaries	Total Cost(1) *(in thousands of Bs.)*	Beneficiaries	Total Cost(1) *(in thousands of Bs.)*	Beneficiaries	Total Cost(1) *(in thousands of Bs.)*	Beneficiaries	Total Cost(1) *(in thousands of Bs.)*	Beneficiaries	Total Cost(1) *(in thousands of Bs.)*
Legislative Branch	945	6,144.4	954	6,118.9	762	4,721.9	711	5,558.1	692	5,788.0
Executive Branch	38,955	95.5	40,142	114.2	40,930	128.7	59,654	246.9	60,075	275.6
Judiciary	2,794	16.3	2,834	16.6	2,653	15.4	2,600	14.9	3,644	20.2
Electoral Body	613	3.4	618	3.4	646	3.7	1,298	3.4	696	3.9
Control Institutions and State Defense	1,400	9.6	1,422	9.9	1,506	10.7	1,520	10.7	1,599	11.6
Decentralized Public Institutions(2)(3)	5,312	33.0	4,983	30.1	5,214	31.0	6,263	37.5	171,068	522.2
National Companies	551	4.6	780	5.4	1,308	8.2	1,848	12.3	2,041	17.3
Autonomous Departmental Governments(3)	171,282	364.7	176,736	428.2	180,531	474.3	184,801	517.6	23,239	116.5
Non-Bank Financial Institutions	134	1.0	122	1.0	127	1.0	120	1.0	131	0.9

Source: Ministry of Economy and Public Finance
(1) Includes labor and employer cost items.
(2) Decentralized public institutions have legal personality, administrative, financial, legal and technical autonomy, and equity capital. They are under the supervision of the applicable Ministry.
(3) Before 2011, teachers were considered part of the autonomous departmental governments. Since 2011, teacher are part of the decentralized public institutions.

THE EXTERNAL ECONOMY

Overview

During 2011, we benefited from the gradual recovery of international commodity and energy prices and export volumes to Brazil. Net international reserves held by the Central Bank increased from U.S.$8,580.1 million and U.S.$9,729.7 million in 2009 and 2010, respectively, to U.S.$12,018.5 million in 2011. In addition, private investment reached its highest levels in 12 years during 2011, totaling Bs.3,295.0 million, an increase of 31% as compared to Bs.2,509.7 million in 2010.

The current account balance rose from a surplus of U.S.$745.8 million in 2009 to a surplus of U.S.$968.6 million in 2010, but decreased to a surplus of U.S.$537.2 million in 2011, while the capital and financial account rose from a deficit of U.S.$28.7 million in 2009 to surpluses of U.S.$916.9 million and U.S.$1,528.4 million in 2010 and 2011, respectively. Overall balance of payments has risen since 2009, from a surplus of U.S.$325.2 million in 2009 to surpluses of U.S.$923.0 million and U.S.$2,160.0 million in 2010 and 2011, respectively. The increase in the overall balance of payments in 2011 is primarily accounted for by a U.S.$1,056.9 million absolute value change in the errors and omissions account.

Despite the fragility of the global economy during the first three months of 2012, both the current account and the capital and financial account balance recorded a surplus. Net international reserves held by the Central Bank increased to U.S.$12,439.8 million as of June 30, 2012. The current account balance rose from a surplus of U.S.$143.7 million during the first three months of 2011 to a surplus of U.S.$171.0 million during the same period in 2012, while the capital and financial account decreased from a surplus of U.S.$576.9 million during the first three months of 2011 to a surplus of U.S.$487.0 million during the same period in 2012. Overall balance of payments decreased from a surplus of U.S.$635.4 million during the first three months of 2011 to a surplus of U.S.$515.5 million during the same period in 2012.

Balance of Payments

In 2011, balance of payments recorded a surplus of U.S.$2,160.0 million, more than double the balance of U.S.$923.0 million recorded in 2010 and more than six times the balance of U.S.$325.2 million recorded in 2009. The U.S.$1,237.0 million increase in the overall balance of payments surplus in 2011 was principally accounted for by a U.S.$1,056.9 million absolute value change in the errors and omissions account, which went from a deficit of U.S.$962.5 million in 2010 to a surplus of U.S.$94.4 million in 2011. The errors and omissions account, which is used in all countries, is a balancing item used to compensate for under or overestimation and the omission of some transactions. The calculation of errors and omissions is based on net inflows and outflows in the balance of payments and it is not possible to attribute errors and omissions to a specific operation. The errors and omissions account also includes economic activity from the informal sector not recorded in the other accounts.

In the first quarter of the year, the balance of payments recorded an overall surplus of U.S.$516 million, or 2% of estimated annual GDP, as a result of a current account surplus of 0.7% of GDP and the capital and financial account of 1.9% of GDP partially being offset by errors and omissions.

During the first quarter of 2011, the positive performance of the global economy resulted in a surplus in the balance of payments of U.S.$635 million. This result was explained by the positive balance in the current account of U.S.$187 million, or 0.8% of estimated annual GDP, and the surplus in the capital and financial account of $726 million, or 3.1% of GDP, offset by errors and omissions.

The current account balance recorded a surplus of U.S.$537.2 million in 2011, a decrease from surpluses of U.S.$968.6 million in 2010 and U.S.$745.8 million in 2009, which was primarily the result of a 42.5% increase in goods imports in 2011 as compared to 2010, principally in intermediate and capital goods for industry. The positive balance of the current account in 2011 was primarily the result of increased private transfers and our trade surplus. The main components of the current account balance are (1) the goods balance, which recorded a surplus of U.S.$667.7 million in 2011, a decrease from a surplus of U.S.$1,010.7 million in 2010 after an increase from a surplus of U.S.$415.4 million in 2009, and (2) current transfers, which recorded a surplus of U.S.$1,177.2 million in 2011, an increase from a surplus of U.S.$1,081.4 million in 2010 after a decrease from a surplus of U.S.$1,213.2 million in 2009, and whose principal component in 2011 was remittances from workers, which reached U.S.$1,012.3 million in 2011, an increase from U.S.$939.3 million in 2010 after a decrease from U.S.$1,023.0 million in 2009. See "—Remittances."

The capital and financial account registered a positive balance of U.S.$1,528.4 million in 2011, an increase from a surplus of U.S.$916.9 million in 2010 and a deficit of U.S.$28.7 million in 2009, which was primarily the result of higher net foreign direct investment, portfolio investment and medium- and long-term public external debt. The heightened uncertainty in the global financial markets as a result of the debt crisis in developed countries generally promoted the flow of capital into the region, mainly in the first half of 2011, as did the solid fundamentals of the Bolivian economy. In 2011, net foreign direct investment reached U.S.$858.9 million, an increase from surpluses of U.S.$671.8 million in 2010 and U.S.$425.7 million in 2009.

The following table shows the balance of payments for the periods indicated:

Balance of Payments(1)

	Year Ended December 31,					Three Months Ended March 30,	
	2007	2008(2)	2009(2)	2010(2)	2011(2)	2011(2)	2012(2)
	(in millions of U.S.$)						
Current Account							
Goods Balance							
Exports f.o.b.	4,504.2	6,525.1	4,960.4	6,390.4	8,331.9	1,676.6	2,086.2
Imports c.i.f.	(3,585.7)	(5,081.4)	(4,544.9)	(5,379.7)	(7,664.2)	(1,545.3)	(1,864.2)
Total Goods Balance	918.5	1,443.8	415.4	1,010.7	667.7	131.4	222.0
Service Balance							
Exports	499.4	499.7	515.4	768.8	800.9	180.0	182.0
Imports	(688.4)	(699.9)	(724.4)	(1,032.2)	(1,122.8)	(239.5)	(248.5)
Total Service Balance	(189.0)	(200.2)	(209.0)	(263.4)	(321.9)	(59.5)	(66.5)
Income (Net)							
Interest Received	331.9	305.9	194.7	89.6	105.8	29.3	34.3
Interest Owed(3)	(208.0)	(194.7)	(130.3)	(105.4)	(142.4)	(26.6)	(27.3)
Other Income Investment	(640.9)	(677.7)	(765.9)	(863.3)	(976.4)	(223.3)	(280.6)
Employee Compensation (Net)	27.5	30.1	27.7	19.0	27.3	16.1	8.2
Total Income (Net)	(489.4)	(536.4)	(673.8)	(860.1)	(985.8)	(204.5)	(265.4)
Current Transfers							
Official Transfers excluding HIPC Relief(3)	215.6	181.2	181.3	137.3	187.4	26.9	46.9
Private Transfers	1,037.6	1,088.9	1,018.4	931.1	981.6	245.2	229.9
Total Current Transfers	1,266.2	1,284.1	1,213.2	1,081.4	1,177.2	276.3	280.9
Current Account Balance	**1,506.2**	**1,991.3**	**745.8**	**968.6**	**537.2**	**143.7**	**171.0**
Capital and Financial Account							
Public Sector							
Capital Transfers	1,171.0	–	77.3	–	–	–	–
Medium- and Long-Term Loans, Net	(1,069.0)	238.9	137.5	277.9	596.5	61.2	47.2
Other Public Capital, Net	2.6	(7.8)	23.0	(14.4)	(59.7)	14.9	48.3
Total Public Sector	104.6	231.1	237.8	263.4	536.8	76.1	95.6
Private Sector							
Capital Transfers	9.2	9.7	33.2	(7.2)	5.9	1.5	0.9
Direct Foreign Investment, Net(4)	362.3	507.6	425.7	671.8	858.9	201.1	278.6
Portfolio Investment, Net	(29.9)	(208.1)	(153.6)	90.1	156.0	199.1	11.4
Medium- and Long-Term Private Debt, Net(5)	(68.5)	59.1	(123.8)	(111.7)	53.0	139.2	(14.5)
Short-Term Net Foreign Assets, Net(6)	114.2	(92.1)	(264.5)	(7.4)	40.5	84.7	68.4
Other Capital, Net	(20.0)	(129.0)	(183.4)	17.8	(122.8)	(124.8)	46.7
Total Private Sector	367.3	147.2	(266.5)	653.4	991.5	500.8	391.5
Capital and Financial Account Balance	**471.8**	**378.3**	**(28.7)**	**916.9**	**1,528.4**	**576.9**	**487.0**
Errors and Omissions	**(25.7)**	**4.4**	**(391.9)**	**(962.5)**	**94.4**	**(85.2)**	**(142.6)**
Overall Balance of Payments	**1,952.3**	**2,374.0**	**325.2**	**923.0**	**2,160.0**	**635.4**	**515.5**
(Increase)/Decrease in Reserves(7)	1,952.3	2,374.0	325.2	923.0	2,160.0	(635.4)	(515.5)

Source: Central Bank
(1) Compiled according to the recommendations of the Balance of Payments Manual of the International Monetary Fund (5th edition, 1993).
(2) Preliminary
(3) Includes HIPC and MDRI relief in the form of stock reduction.
(4) Includes direct investment in the outside of Bolivia.
(5) Excludes intracompany loans that are recorded as foreign direct investment.
(6) Includes foreign assets (excluding American depositary receipts) of bank and nonbank financial institutions and short-term debt (excluding intracompany loans) from banks, financial institutions and other non-bank private sector.
(7) Includes fixed price of gold and fixed exchange rate for special drawing rights and euros.

Current Account

In 2011, the current account balance recorded a surplus of U.S.$537.2 million, which was primarily a result of the performance of the goods balance and current transfers. The decrease in the current account surplus to U.S.$537.2 million in 2011 from U.S.$968.6 million in 2010 was primarily the result of a 33.9% decrease in the goods balance surplus in 2011 as compared to 2010. The increase in the current account surplus to U.S.$968.6 million in 2010 from U.S.$745.8 million in 2009 was primarily the result of the increase in the goods balance surplus between 2009 and 2010. Despite the decrease of U.S.$431.4 million in the current account balance surplus observed between 2010 and 2011, exports (i.e., a positive goods balance) and remittances continued to be the main sources of the current account balance surplus. Goods exports reached U.S.$8,331.9 million in 2011, an increase from U.S.$6,390.4 million in 2010 and U.S.$4,960.4 million in 2009, which was primarily the result of robust external demand for our natural gas and minerals. The current account balance recorded a surplus of U.S.$171.0 million in the first three months of 2012, an increase from U.S.$143.7 million in the same period in 2011, which was primarily due to the positive trade balance, remittances received, donations, higher interest earned on investments of international reserves. Goods exports reached U.S.$2,086.2, an increase from U.S.$1,676.6 million in the same period in 2011.

The goods balance registered a surplus of U.S.$667.7 million in 2011, a decrease from a surplus of U.S.$1,010.7 million in 2010 after an increase from a surplus of U.S.$415.4 million in 2009, despite the significant increase in imports, which were mainly in intermediate goods and capital for industry. The goods balance registered a surplus of U.S.$222.0 million in the first three months of 2012, an increase from a surplus of U.S.$131.4 million in the same period in 2011.

The service balance registered a deficit of U.S.$321.9 million in 2011, which was a deficit increase from deficits of U.S.$263.4 million in 2010 and U.S.$209.0 million in 2009, which was primarily the result of increased service imports, primarily in transportation, insurance and other business services. The service balance registered a deficit of U.S.$66.5 million in the first three months of 2012, which was a deficit increase from a deficit of U.S.$59.5 million in the same period in 2011.

Net income registered a deficit of U.S.$985.8 million in 2011, which was a deficit increase from deficits of U.S.$860.1 million in 2010 and U.S.$673.8 million in 2009, which was primarily the result of increased deficits in the other income investment account due to a decrease in dividends received. Net income registered a deficit of U.S.$265.4 million in the first three months of 2012, which was a deficit increase from a deficit of U.S.$204.5 million in the same period in 2011.

Current transfers registered a surplus of U.S.$1,177.2 million in 2011, an increase from a surplus of U.S.$1,081.4 million in 2010 after a decrease from a surplus of U.S.$1,213.2 million in 2009. The increase in the current transfers surplus between 2010 and 2011 was primarily the result of an increase in remittances, which totaled U.S.$1,012.3 million in 2011, an increase from U.S.$939.3 million in 2010 after a decrease from U.S.$1,023.0 million in 2009. See "—Remittances." Current transfers registered a surplus of U.S.$280.9 million in the first three months of 2012, which was an increase from a surplus of U.S.$276.3 million in the same period in 2011.

Capital and Financial Account

The capital and financial account registered a surplus of U.S.$1,528.4 in 2011, an increase from a surplus of U.S.$916.9 million in 2010 and a deficit of U.S.$28.7 million in 2009. The increase in the capital and financial account surplus between 2010 and 2011 was primarily a result of the positive flow of foreign direct investment, which primarily came from Sweden, Spain and Brazil and was principally directed to the hydrocarbon and mining sectors, and public external debt disbursements (i.e., increased external borrowing by the public sector). See "Public Sector Indebtedness—Public External Debt."

The capital and financial account registered a surplus of U.S.$487.0 million in the first three months of 2012, which was a decrease from a surplus of U.S.$576.9 million in the same period in 2011. The decrease in the surplus registered in the private sector during the first quarter of 2012, which accounted for 80.0% of the surplus in the capital and financial account in this period, as compared to the same period in 2011, was primarily the result of decreased portfolio investment and private borrowing, which was partially offset by increased private foreign direct investment.

Compensation paid as a result of nationalizations is included in foreign direct investment outflow. Despite the compensation we have paid to nationalized entities, we have registered positive net foreign direct investment since 2006 and inflows of foreign direct investment have continued to be directed to nationalized sectors. Net foreign direct investment reached U.S.$858.9 million in 2011, an increase from U.S.$671.8 million in 2010 and U.S.$425.7 million in 2009. Net foreign direct investment reached U.S.$278.6 million in the first three months of 2012, an increase from U.S.$201.1 million in the same period in 2011. See "—Foreign Direct Investment."

Remittances

Remittances from Bolivians living abroad, which totaled U.S.$1,012.3 million in 2011, an increase from U.S.$939.3 million in 2010 after a decrease from U.S.$1,023.0 million in 2009, are one of our most important sources of foreign exchange. Remittances, which are primarily denominated in U.S. dollars, provide a portion of the foreign currency required to pay for imports and for the Government to make payments on its external debt, and are a source of net transfers to our current account. The increase in remittances between 2010 and 2011 was primarily the result of a 18.4% increase in remittances from Spain in 2011 as compared to 2010, while the decrease in remittances between 2009 and 2010 was primarily the result of 12.0% and 7.2% decreases in remittances from Spain and Argentina, respectively, in 2010 as compared to 2009.

During the first quarter of 2012, remittances reached U.S.$238.6 million, a 4.6% decrease from the same period in 2011.

By origin, in 2011, 44.2% of the remittances came from Spain, 17.4% came from Argentina, and 17.0% came from the United States of America. Other countries, such as Italy, Brazil, Chile and Switzerland, collectively accounted for 21.4% of remittances.

The following table sets forth the total level of remittances for the for the periods indicated:

Remittances

	Remittances (*in U.S.$ millions*)
Year Ended December 31, 2007	1,020.5
Year Ended December 31, 2008	1,097.2
Year Ended December 31, 2009	1,023.0
Year Ended December 31, 2010	939.3
Year Ended December 31, 2011	1,012.3
Three Months Ended March 31, 2011	250.2
Three Months Ended March 31, 2012	238.6

Source: Central Bank

Foreign Trade

Imports and Exports

Exports in 2011 totaled U.S.$9,167.2 million, an increase of 30.2% as compared to U.S.$7,038.2 million in 2010, while imports in 2011 totaled U.S.$7,672.7 million, an increase of 42.3% as compared to U.S.$5,393.3 million in 2010. This increase in exports was primarily the result of higher commodity prices and higher export sales volumes, while the increase in imports was primarily the result of higher purchases of raw materials, intermediate products and capital goods, which accounted for 77.3% of total imports, mainly for industry and agriculture. Exports in the first three months of 2012 totaled U.S.$1,864.2 million, an increase of 20.6% as compared to the same period in 2011. This increase was primarily due to higher imports of capital and intermediate goods, which accounted for approximately 80% of total imports and are primarily used in agriculture, industry and transportation.

Hydrocarbon exports, which accounted for 44.9% of total exports in 2011, reached U.S.$4,114.5 million in 2011, an increase of 37.7% as compared to U.S.$2,987.3 million 2010. This increase was primarily the result of the first addendum to the natural gas purchase and sale agreement between YPFB and ENARSA, which provided for increased natural gas exports in 2011, and the opening of the Juana Azurduy international pipeline. See "The Bolivian Economy—Principal Sectors of the Economy—Petroleum and Natural Gas." As a result, the volume of natural gas exported to Argentina was 2,722.9 million cubic meters in 2011, an increase of 54.0% as compared to 2010. The volume of natural gas exports to Brazil, which is our largest market for natural gas sales, was 9,795.6 million cubic meters in 2011, a decrease of 0.3% as compared to 2010, which was primarily the result of Brazil's rainy season, which increased the generation of hydroelectric power, lowering natural gas demand in December 2011. The prices of natural gas exports experienced a significant increase in 2011, increasing to average annual prices of U.S.$9.4 per million British thermal units ("BTUs") and U.S.$7.7 per million BTUs for natural gas exported to Argentina and Brazil, respectively, as compared to average annual prices in 2010 of U.S.$7.3 per million BTUs and U.S.$6.0 per million BTUs, respectively. Hydrocarbon exports, which accounted for 57.6% of total exports in the first three months of 2012, reached U.S.$1,201.6 million during the first three months of 2012, an increase of 44.1% as compared to U.S.$833.8 million during the same period in 2011.

High international commodity prices for minerals stimulated production in this sector in 2011, and mineral exports, which accounted for 37.3% of total exports in 2011, reached U.S.$3,421.6 million in 2011, an increase of 43.3% as compared to U.S.$2,388.3 million in 2010. The main mineral export in 2011 was silver, which accounted for 40.2% of total mineral exports in 2011 and reached U.S.$1,375.5 million in 2011, an increase of 72.5% as compared to U.S.$797.6 million in 2010. The main destinations for silver exports in 2011 were Peru, Japan and South Korea. Zinc, which was our second most important mineral export in 2011, accounted for 27.6% of total mineral exports in 2011 and reached U.S.$944.2 million in 2011, an increase of 6.3% as compared to U.S.$888.1 million in 2010. The main destinations for zinc exports in 2011 were Japan, South Korea and Belgium. Mineral exports reached U.S.$693.5 million in the first three months of 2012, a decrease of 8.6% as compared to U.S.$758.4 million in the same period in 2011, and accounted for 33.2% of total exports in the first three months of 2012.

The continued growth in national disposable income and domestic demand enabled imports to increase in 2011. Imports totaled U.S.$7,672.7 million in 2011, an increase of 42.3% as compared to U.S.$5,393.3 million in 2010. Of total imports in 2011, 77.3% were for the purchase of capital goods, intermediate goods and raw materials for the expansion of the economy's productive capacity while only 22.3% were for the purchase of consumer goods. Imports of raw materials and intermediate products reached U.S.$3,745.8 million in 2011, an increase of 38.2% as compared to U.S.$2,709.5 million in 2010.

Imports of capital goods reached U.S.$2,184.3 million in 2011, an increase of 46.1% as compared to U.S.$1,495.5 million in 2010. Imports of consumer goods reached U.S.$1,713.6 million in 2011, an increase of 51.3% as compared to U.S.$1,132.6 million in 2010. Overall, imports in 2011 totaled U.S.$7,672.7 million, an increase of 42.3% as compared to U.S.$5,393.3 million in 2010.

Imports totaled U.S.$1,864.2 in the first three months of 2012, an increase of 20.6% as compared to U.S.$1,545.3 million in the same period in 2011. Of total imports in the first three months of 2012, 78.8% were for the purchase of capital goods, intermediate goods and raw materials for the expansion of the economy's productive capacity while only 20.0% were for the purchase of consumer goods. Imports of raw materials and intermediate products reached U.S.$1,052.60 million in the first three months of 2012, an increase of 29.0% as compared to U.S.$815.7 million in the same period in 2011. Imports of capital goods reached U.S.$416.2 million in the first three months of 2012, an increase of 5.7% as compared to U.S.$393.9 million in the same period in 2011. Imports of consumer goods reached U.S.$373.7 million in the first three months of 2012, an increase of 14.5% as compared to U.S.$326.3 million in the same period in 2011.

The following table shows the overall balance of trade for the periods indicated:

Overall Balance of Trade

	Exports (c.i.f.)	Imports (c.i.f.)	Balance
	(in millions of U.S.$)		
Year Ended December 31, 2007	4,889.7	3,588.0	1,301.8
Year Ended December 31, 2008	7,058.0	5,100.2	1,957.8
Year Ended December 31, 2009	5,486.4	4,577.4	909.0
Year Ended December 31, 2010(1)	7,038.2	5,393.3	1,644.9
Year Ended December 31, 2011(1)	9,167.2	7,672.7	1,494.5
Three Months Ended March 31, 2011(1)	1,676.6	1,545.3	131.3
Three Months Ended March 31, 2012(1)	2,086.2	1,864.2	222.0

Source: National Institute of Statistics, National Customs
(1) Preliminary.

The following table shows exports by sector for the periods indicated:

Exports

	Year Ended December 31,					Three Months Ended March 30,	
	2007	2008	2009	2010[1]	2011[1]	2011[1]	2012[1]
				(in millions of U.S.$)			
Hydrocarbons							
Natural Gas	1,971.2	3,159.1	1,967.6	2,797.8	3,884.9	777.5	1,157.0
Petroleum	268.8	324.3	139.7	186.6	227.6	55.7	44.5
Other	1.9	3.2	2.9	2.8	2.0	0.5	0.1
Total Hydrocarbons	**2,242.0**	**3,486.6**	**2,110.2**	**2,987.3**	**4,114.5**	**833.8**	**1,201.6**
Minerals							
Tin	213.2	281.7	233.5	350.3	453.8	123.1	94.1
Zinc	696.5	740.8	689.6	888.1	944.2	232.5	173.8
Silver	226.6	525.6	610.6	797.6	1,375.5	278.0	262.3
Gold	122.9	142.2	116.5	95.2	95.2	22.0	26.8
Other	128.3	242.0	195.9	257.1	552.9	102.8	136.6
Total Minerals	**1,387.5**	**1,932.3**	**1,846.1**	**2,388.3**	**3,421.6**	**758.4**	**693.5**
Non-Traditional Exports							
Soy[2]	283.6	339.6	487.9	522.6	610.2	63.1	101.5
Wood	66.6	72.3	63.7	70.2	59.6	17.3	12.0
Chestnut	70.7	83.5	64.2	91.8	135.4	17.6	23.5
Jewelry	53.4	23.7	2.1	17.6	23.1	5.2	4.4
Other	485.6	692.5	575.7	688.7	545.0	108.5	144.2
Total Non-Traditional Exports	**960.0**	**1,211.6**	**1,193.7**	**1,390.9**	**1,373.3**	**211.7**	**285.7**
Other Goods[3]	**300.2**	**427.5**	**336.4**	**271.8**	**257.8**	**61.3**	**61.4**
Total Exports (c.i.f.)	**4,889.7**	**7,058.0**	**5,486.4**	**7,038.2**	**9,167.2**	**1,865.3**	**2,242.3**
Adjustments[4]	(385.5)	(532.9)	(526.0)	(647.8)	(835.3)	(188.6)	(156.1)
Total Exports (f.o.b.)	**4,504.2**	**6,525.1**	**4,960.4**	**6,390.4**	**8,331.9**	**1,676.6**	**2,086.2**

Source: National Institute of Statistics, National Customs
(1) Preliminary.
(2) Includes soybeans, soy cakes, soybean flour and soybean oil. Excludes exports of transformation goods.
(3) Includes re-exports, transformation goods, repair of goods and fuels.
(4) Required costs and aircraft rental.

The following table shows imports for the periods indicated:

Imports

	Year Ended December 31,					Three Months Ended March 30,	
	2007	2008	2009	2010[(1)]	2011[(1)]	2011[(1)]	2012[(1)]
			(in millions of U.S.$)				
Consumer Goods							
Non-Durable	417.9	554.0	516.9	641.5	853.1	191.2	204.3
Durable	418.8	564.7	411.0	491.1	860.5	135.1	169.5
Total	**836.7**	**1,118.7**	**928.0**	**1,132.6**	**1,713.6**	**326.3**	**373.7**
Raw Materials and Intermediate Products							
Fuels and Lubricants	280.4	555.4	470.2	615.2	1,025.4	176.1	255.7
Agriculture	146.7	210.9	218.3	240.7	300.3	73.2	74.3
Industry	1,024.1	1,393.5	1,204.2	1,414.8	1,800.0	431.6	448.7
Construction Materials	205.6	309.0	295.5	313.1	450.5	100.1	160.0
Parts and Accessories of Transport Equipment	113.1	130.3	116.9	125.7	169.7	34.7	113.9
Total Raw Materials and Intermediate Products	**1,769.9**	**2,599.0**	**2,305.0**	**2,709.5**	**3,745.8**	**815.7**	**1,052.6**
Capital Goods							
Agriculture	65.8	97.3	77.3	101.5	162.7	27.7	74.3
Industry	653.9	902.1	852.5	1,046.0	1,503.8	302.4	338.2
Transportation Equipment	232.8	315.7	344.1	347.9	517.7	63.8	3.7
Total Capital Goods	**952.4**	**1,315.1**	**1,273.9**	**1,495.5**	**2,184.3**	**393.9**	**416.2**
Miscellaneous[(2)]	**28.9**	**67.3**	**70.5**	**55.7**	**29.0**	**9.4**	**21.6**
Total Imports (c.i.f.)	**3,588.0**	**5,100.2**	**4,577.4**	**5,393.3**	**7,672.7**	**1,545.3**	**1,864.2**
Total Adjusted Imports (c.i.f.)[(3)]	**3,585.7**	**5,081.4**	**4,544.9**	**5,379.7**	**7,664.2**	**1,545.3**	**1,864.2**

Source: National Institute of Statistics, National Customs
(1) Preliminary.
(2) Includes personal effects.
(3) Adjusted for aircraft rental and the nationalization of vehicles imported during previous years.

Our principal export trading partners are Brazil and Argentina, which accounted for 33.1% and 11.7% of total exports in 2011, respectively. Countries in the Latin American Integration Association ("ALADI") accounted for 58.7% of total exports in 2011 and Mercosur countries, which form part of the Latin American Integration Association, accounted for 45.1% of total exports in 2011. Exports to the United States of America accounted for 9.7% of total exports in 2011.

Our principal import trading partners are also Brazil and Argentina, which accounted for 18.1% and 12.5% of total imports in 2011, respectively. Countries in the Latin American Integration Association accounted for 51.6% of total imports in 2011 and Mercosur countries accounted for 31.6% of total imports in 2011. Imports from the United States of America accounted for 11.3% of total imports in 2011, while imports from China and Japan accounted for 12.3% and 7.7% of total imports in 2011, respectively. Venezuela accounted for 6.8% of total imports in 2011 and, under the People's Trade Agreement between Venezuela and Bolivia, the import tariff for goods originating from Venezuela is zero.

The following tables show the direction of trade for the periods indicated:

Exports (c.i.f.) by Destination

	Year Ended December 31,					Three Months Ended March 30,	
	2007	2008	2009	2010(1)	2011(1)	2011(1)	2012(1)
	(in millions of U.S.$)						
Latin American Integration Association(2)							
Mercosur							
Argentina	433.6	519.5	456.2	578.4	1,070.0	205.7	362.2
Brazil	1,750.9	3,047.7	1,671.0	2,413.2	3,034.0	637.0	842.5
Paraguay	30.5	54.9	18.7	21.3	26.8	5.4	6.8
Uruguay	2.5	3.3	3.1	5.5	7.2	1.5	1.1
Total Mercosur	2,217.5	3,625.4	2,149.0	3,018.5	4,138.1	849.6	1,212.5
Andean Community							
Colombia	159.2	218.3	293.2	242.3	242.3	28.6	54.6
Ecuador	19.0	14.0	35.8	44.5	78.2	3.5	13.8
Peru	233.9	292.8	294.3	401.3	465.6	98.8	85.3
Venezuela	242.0	250.8	292.9	361.5	294.4	40.1	41.5
Chile	1.6	3.0	1.2	98.0	157.2	21.7	23.7
Cuba	61.0	86.7	83.7	3.5	0.8	0.1	0.3
Total Andean Community	412.1	525.1	623.3	688.1	786.0	130.8	153.8
Total Latin American Integration Association	**2,934.1**	**4,491.0**	**3,150.2**	**4,169.6**	**5,376.6**	**1,042.3**	**1,431.9**
Central American Common Market	**3.1**	**6.7**	**7.0**	**2.3**	**3.2**	**0.5**	**0.8**
NAFTA							
United States of America	430.5	503.7	492.2	703.5	891.8	203.5	256.4
Canada	104.9	89.1	80.9	88.9	195.3	30.6	39.2
Mexico	31.2	39.9	27.5	32.2	54.3	28.1	10.7
Total NAFTA	**566.6**	**632.7**	**600.6**	**824.5**	**1,141.4**	**262.3**	**306.3**
Russia	**2.1**	**3.1**	**1.6**	**9.3**	**13.2**	**2.9**	**3.7**
European Union							
Germany	16.0	25.9	20.3	32.0	51.3	6.8	9.0
Belgium	132.1	157.4	189.8	380.0	375.7	67.8	67.9
France	11.8	13.0	14.9	14.9	18.7	4.4	3.7
Netherlands	60.1	68.9	73.4	57.6	46.4	5.1	5.1
United Kingdom	106.4	91.7	74.4	101.4	156.3	26.4	24.9
Italy	29.6	23.6	17.7	27.2	39.3	7.6	9.5
Sweden	1.0	0.8	0.6	0.9	1.0	0.1	0.2
Other	39.4	58.9	104.9	66.9	116.5	20.7	12.4
Total European Union	**396.2**	**440.1**	**496.1**	**680.8**	**805.3**	**139.0**	**132.8**
European Free Trade Association							
Switzerland	160.0	162.1	167.5	166.4	306.1	61.0	54.1
Norway	0.6	0.8	1.0	0.7	1.5	0.2	0.3
Total European Free Trade Association	**160.6**	**162.9**	**168.5**	**167.1**	**307.6**	**61.2**	**54.4**
Asia							
Japan	407.2	214.4	303.6	460.3	539.9	93.3	104.6
China	57.6	129.5	130.6	208.5	332.7	78.4	79.2
South Korea	198.6	812.6	495.5	367.1	419.1	165.5	82.9
Malaysia	19.2	21.9	4.3	1.5	3.9	0.3	0.1
Hong Kong	4.5	4.4	2.6	2.7	3.2	0.6	1.4
India	3.2	5.2	3.2	5.3	11.4	2.2	1.4
Thailand	0.5	1.1	0.3	0.5	2.1	0.3	1.4
Taiwan	1.0	0.3	0.2	0.6	1.5	0.2	0.3
Other	1.2	0.8	1.5	1.2	1.1	0.1	0.1
Total Asia	**693.1**	**1,190.3**	**941.9**	**1,047.9**	**1,314.9**	**340.8**	**271.4**
Rest of the World	**133.8**	**131.2**	**120.5**	**136.6**	**205.0**	**16.3**	**41.2**
Total Exports (c.i.f.)	**4,889.7**	**7,058.0**	**5,486.4**	**7,038.2**	**9,167.2**	**1,865.3**	**2,242.3**

Source: National Institute of Statistics
(1) Preliminary.
(2) Excludes Mexico.

Imports (c.i.f.) by Origin

	Year Ended December 31,					Three Months Ended March 30,	
	2007	2008	2009	2010[(1)]	2011[(1)]	2011[(1)]	2012[(1)]
				(*in millions of U.S.$*)			
Latin American Integration Association[(2)]							
Mercosur							
Argentina	589.9	729.8	628.5	699.5	957.5	208.7	238.2
Brazil	719.1	925.3	788.6	1,001.0	1,387.0	277.8	361.1
Paraguay	41.5	46.8	28.0	30.5	56.7	8.9	11.6
Uruguay	9.5	18.2	18.6	26.3	26.8	5.8	6.6
Total Mercosur	1,359.9	1,720.0	1,463.6	1,757.3	2,427.9	501.3	617.5
Andean Community							
Colombia	70.6	111.7	98.9	118.0	193.6	44.3	39.5
Ecuador	13.4	20.8	18.5	16.8	27.2	6.7	7.5
Peru	227.1	354.4	322.0	388.5	472.2	107.3	128.4
Venezuela	47.7	253.2	308.8	298.7	525.0	116.0	138.1
Chile	227.8	350.6	246.7	303.6	308.5	66.3	74.6
Cuba	6.0	5.9	2.6	1.5	7.3	0.1	1.3
Total Andean Community	311.0	487.0	439.3	523.3	693.0	158.3	175.4
Total Latin American Integration Association	**1,952.6**	**2,816.7**	**2,460.9**	**2,884.5**	**3,961.8**	**842.0**	**1,006.9**
Central American Common Market	**2.2**	**3.7**	**3.3**	**4.5**	**21.7**	**10.1**	**1.0**
NAFTA							
United States of America	408.3	552.4	627.7	713.3	865.0	198.6	188.1
Canada	22.1	50.5	48.7	62.7	35.4	7.2	8.4
Mexico	62.1	109.9	96.7	127.6	187.3	42.2	46.3
Total NAFTA	**492.5**	**712.8**	**773.1**	**903.6**	**1,087.8**	**248.0**	**242.8**
Russia	**1.0**	**2.3**	**2.4**	**6.6**	**8.6**	**1.6**	**1.8**
European Union							
Germany	85.4	92.0	98.1	111.2	141.4	29.8	50.3
Belgium	13.4	17.7	15.9	19.6	28.7	7.8	5.3
France	29.6	57.1	43.0	86.2	46.2	9.2	12.1
Netherlands	8.1	11.5	11.4	14.6	18.9	2.7	3.2
United Kingdom	19.1	22.7	28.6	32.3	44.4	9.5	8.5
Italy	31.1	45.1	44.5	67.6	91.9	19.0	50.5
Sweden	69.9	98.4	97.8	57.2	162.7	17.2	13.6
Other	78.4	87.6	75.9	104.2	159.2	23.3	34.8
Total European Union	**335.1**	**432.1**	**415.3**	**492.9**	**693.5**	**118.5**	**178.3**
European Free Trade Association							
Switzerland	8.9	11.8	11.8	15.6	21.0	3.6	4.5
Norway	0.6	0.5	0.6	0.5	0.9	0.2	1.5
Total European Free Trade Association	**9.5**	**12.3**	**12.4**	**16.1**	**21.9**	**3.8**	**6.1**
Asia							
Japan	359.4	501.7	319.7	316.7	588.2	71.6	74.9
China	312.2	445.1	415.6	536.5	946.1	174.3	265.9
South Korea	20.5	31.3	25.4	42.3	65.7	17.1	14.8
Malaysia	5.3	7.5	6.4	7.4	11.1	1.8	2.5
Hong Kong	3.1	3.4	3.6	5.5	8.1	1.8	1.5
India	20.5	26.6	34.1	55.2	75.4	13.7	15.9
Thailand	14.9	22.5	18.6	25.8	56.8	14.0	16.6
Taiwan	16.4	25.2	25.0	29.2	34.1	9.1	10.4
Other	15.5	22.7	19.0	25.6	42.2	8.5	11.2
Total Asia	**767.7**	**1,086.0**	**867.2**	**1,044.1**	**1,827.6**	**311.8**	**413.6**
Rest of the World	**27.3**	**34.2**	**42.8**	**40.9**	**49.8**	**9.4**	**13.7**
Total Exports (c.i.f.)	**3,588.0**	**5,100.2**	**4,577.4**	**5,393.3**	**7,672.7**	**1,545.3**	**1,864.2**

Source: National Institute of Statistics
(1) Preliminary.
(2) Excludes Mexico.

Balance of Trade by Country

	Year Ended December 31,					Three Months Ended March 30,	
	2007	2008	2009	2010(1)	2011(1)	2011(1)	2012(1)
				(in millions of U.S.$)			
Latin American Integration Association(2)							
Mercosur							
Argentina	(156.3)	(210.3)	(172.3)	(121.1)	112.6	(3.0)	123.9
Brazil	1,031.8	2,122.4	882.4	1,412.2	1,647.0	359.2	481.4
Paraguay	(10.9)	8.1	(9.3)	(9.2)	(29.9)	(3.5)	(4.8)
Uruguay	(7.0)	(14.9)	(15.5)	(20.8)	(19.5)	(4.3)	(5.5)
Total Mercosur	857.5	1,905.4	685.4	1,261.1	1,710.1	348.3	595.0
Andean Community							
Colombia	88.6	106.5	194.3	124.3	48.7	(15.7)	15.2
Ecuador	5.7	(6.8)	17.4	27.6	50.9	(3.2)	6.3
Peru	6.8	(61.6)	(27.7)	12.8	(6.6)	(8.5)	(43.1)
Venezuela	194.2	(2.3)	(15.8)	62.8	(230.5)	(76.0)	(96.6)
Chile	(226.3)	(347.7)	(245.4)	(205.6)	(151.3)	(44.7)	(50.9)
Cuba	55.0	80.9	81.1	2.0	(6.4)	–	(1.0)
Total Andean Community	101.1	38.1	184.0	164.8	93.0	(27.4)	(21.6)
Total Latin American Integration Association	**981.6**	**1,674.3**	**689.3**	**1,285.1**	**1,414.8**	**200.3**	**425.0**
Central American Common Market	**0.9**	**3.0**	**3.8**	**(2.2)**	**(18.5)**	**(9.7)**	**(0.2)**
NAFTA							
United States of America	22.2	(48.7)	(135.4)	(9.8)	26.7	4.9	68.3
Canada	82.8	38.6	32.2	26.1	159.8	23.4	30.8
Mexico	(30.8)	(70.0)	(69.2)	(95.4)	(133.0)	(14.0)	(35.6)
Total NAFTA	**74.1**	**(80.1)**	**(172.5)**	**(79.1)**	**53.6**	**14.3**	**63.5**
Russia	**1.1**	**0.8**	**(0.8)**	**2.7**	**4.6**	**1.3**	**1.9**
European Union							
Germany	(69.4)	(66.1)	(77.8)	(79.3)	(90.1)	(23.0)	(41.3)
Belgium	118.6	139.7	173.9	360.4	347.1	60.0	62.6
France	(17.8)	(44.1)	(28.1)	(71.3)	(27.5)	(4.8)	(8.4)
Netherlands	51.9	57.4	62.0	43.0	27.6	2.4	1.9
United Kingdom	87.2	68.9	45.8	69.2	111.9	16.9	16.5
Italy	(1.5)	(21.5)	(26.8)	(40.5)	(52.6)	(11.4)	(40.9)
Sweden	(69.0)	(97.6)	(97.3)	(56.3)	(161.7)	(17.1)	(13.4)
Other	(39.0)	(28.7)	29.0	(37.3)	(42.7)	(2.6)	(22.4)
Total European Union	**61.1**	**8.0**	**80.8**	**187.8**	**111.8**	**20.5**	**(45.5)**
European Free Trade Association							
Switzerland	151.1	150.3	155.7	150.8	285.1	57.4	49.6
Norway	–	0.3	0.4	0.2	0.6	(0.1)	(1.2)
Total European Free Trade Association	**151.1**	**150.5**	**156.1**	**151.0**	**285.6**	**57.4**	**48.3**
Asia							
Japan	47.8	(287.3)	(16.1)	143.6	(48.3)	21.7	29.7
China	(254.5)	(315.6)	(285.0)	(328.0)	(613.4)	(95.9)	(186.8)
South Korea	178.1	781.3	470.1	324.9	353.4	148.4	68.1
Malaysia	13.9	14.4	(2.0)	(5.8)	(7.2)	(1.5)	(2.4)
Hong Kong	1.5	1.0	(1.0)	(2.7)	(4.8)	(1.2)	(0.1)
India	(17.2)	(21.3)	(30.9)	(49.9)	(64.0)	(11.6)	(14.5)
Thailand	(14.4)	(21.4)	(18.3)	(25.3)	(54.7)	(13.7)	(15.2)
Taiwan	(15.5)	(24.8)	(24.8)	(28.6)	(32.6)	(8.8)	(10.0)
Other	(14.3)	(21.9)	(17.5)	(24.4)	(41.0)	(8.3)	(11.1)
Total Asia	**(74.6)**	**104.3**	**74.7**	**3.8**	**(512.6)**	**29.1**	**(142.3)**
Rest of the World	**106.5**	**97.0**	**77.7**	**95.7**	**155.2**	**6.9**	**27.5**
Total Exports (c.i.f.)	**1,301.8**	**1,957.8**	**909.0**	**1,644.9**	**1,494.5**	**320.0**	**378.1**

Source: National Institute of Statistics
(1) Preliminary.
(2) Excludes Mexico.

Import Tariffs

In 2007, we adopted a new import tariffs regime with an objective to protect the domestic market, improve the competitiveness of our economy and ensure food security, without affecting tariff revenue or generating inflationary pressures. Import tariffs now range between 0% and 40%, as detailed in the following table:

Import Tariffs

Goods	Rate
Industrial machinery and equipment, farm machinery, fertilizers, seeds, medicines for HIV/AIDS	0%
Capital goods, hydrocarbons, live animals, other medicines and supplies	5%
Food, beverages, vehicles, consumer goods	10%
Textiles (fabrics), food, manufactured plastics, steel	15%
Fish, other value-added products	20%
Manufactured wood	30%
Clothing, accessories, furniture	40%

Source: Ministry of Economy and Public Finance

In order to maintain a normal supply of hydrocarbons in the domestic market, which encourages increased hydrocarbon consumption by all sectors of society and the export of hydrocarbon surpluses under terms that are advantageous to the Government, we have temporarily reduced the import tariff for diesel fuel to 0% beginning January 28, 2012 for a period of one year.

Seeds imported for cultivation primarily have an import tariff of 5%, 10% or 15%; in some small cases (cotton, fodder and fruit trees or forestry seeds), they are subject to import tariffs of 0% for five years beginning August 11, 2011.

Under the People's Trade Agreement between Venezuela and Bolivia, the import tariff for goods originating from Venezuela is zero.

Export Permits

Under current regulations, more than 6,000 tariff lines of products require no permits or special procedures for export. Such exports must only comply with customs requirements, which is similar to the practice used by most countries and is consistent with the policies established by the World Customs Organization.

Export permits are currently required for basic food products including oil, flour, soybeans, rice, sorghum, sugar and beef. The current policy seeks to control the export of staples whose scarcity would impact intermediate and final consumers. These permits are granted at the request of exporters within approximately one week after verification of prices and adequate supply in the domestic market.

International Reserves

Our net international reserves have steadily increased during the past several years. Between 2000 and 2005, the average balance of the net international reserves was U.S.$1,138 million, while between 2006 and 2011 the average balance of the net international reserves was U.S.$7,758 million.

Total net international reserves as of December 31, 2011 were U.S.$13,195.7 million, an increase of 18.2% as compared to U.S.$11,166.2 million as of December 31, 2010. This increase was primarily the result of increased exports by YPFB, Empresa Metalúrgica Vinto, and the private sector, as well as external debt disbursements, remittances and a higher international gold valuation. Total net international reserves as of June 30, 2012 were U.S.$13,783.0 million.

Net international reserves held by the Central Bank totaled U.S.$12,018.5 million as of December 31, 2011, an increase of 23.5% as compared to U.S.$9,729.7 million as of December, 31, 2010.

Given the international financial turmoil, the Central Bank diversified its investments in international reserves in 2011, moving into investments denominated in Canadian dollars and Australian dollars, with a share of around 3% of total reserves each. The Central Bank also increased its gold reserves by 7 tonnes, bringing gold reserves to 17.7% of total reserves. The interest received by the Central Bank for its net international reserves investments increased in 2011, mainly the result of the recovery of interest rates in international markets and the net increase in international reserves.

The following table shows the net international reserves for the periods indicated:

Net International Reserves

	As of December 31,					As of June 30,
	2007	2008	2009	2010	2011	2012
			(in millions of U.S.$)			
Central Bank	5,319.2	7,722.0	8,580.1	9,729.7	12,018.5	12,439.8
Banking System	670.1	816.2	1,323.0	1,287.7	1,066.0	1,171.3
Other[(1)]	96.7	101.4	171.5	148.8	111.1	171.9
Total	**6,086.0**	**8,639.6**	**10,074.6**	**11,166.2**	**13,195.7**	**13,783.0**
Import Reserve Cover (*months*)	14.9	16.0	19.5	18.2	16.4	18.0[(2)]
Net International Reserves/GDP	40.3	46.0	49.1	49.2	49.8	47.0[(2)]

Source: Central Bank
(1) Cooperatives, Private Financial Funds and Savings and Loans Mutuals
(2) Preliminary.

Net International Reserves of the Central Bank by Currency

	As of December 31,					As of June 30,
	2007	2008	2009	2010	2011	2012
			(in millions of U.S.$)			
U.S. Dollars	4,499.1	6,871.2	5,868.3	6,378.6	7,491.2	7,899.7
Gold	759.9	802.6	1,000.8	1,612.9	2,128.7	2,177.4
Euros	–	–	1,439.7	1,498.3	1,478.4	1,449.8
Australian Dollars	–	–	–	–	343.2	351.3
Canadian Dollars	–	–	–	–	340.1	342.2
IMF Special Drawing Rights	42.3	42.3	258.5	255.6	253.2	250.3
Renminbi	–	–	–	–	–	49.9

Source: Central Bank

Foreign Direct Investment

Net foreign direct investment increased to U.S.$858.9 million in 2011, from U.S.$671.8 million in 2010 and U.S.$425.7 million in 2009, despite nationalizations that have occurred and compensation we have paid in connection with such nationalizations. This increase was principally directed to the hydrocarbon, mining and industry sectors, which accounted for 37.2%, 23.1% and 21.0% of total gross foreign direct investment, respectively, in 2011. Net foreign direct investment reached U.S.$278.6 million in the first three months of 2012, an increase of 38.5% as compared to U.S.$201.1 million in the same period in 2011, which was primarily directed to the hydrocarbon and mining sectors.

Gross foreign direct investment in the hydrocarbon sector reached U.S.$383.9 million in 2011, an increase of 23.8% as compared to 2010, while gross foreign direct investment in the mining and industry sectors reached U.S$238.4 million and U.S.$216.7 million, respectively, in 2011, an increase of 8.5% and a decrease of 22.7%, respectively, from 2010. Gross foreign direct investment in the hydrocarbon sector reached U.S.$123.6 million in the first three months of 2012, an increase of 47.1% as compared to the same period in 2011, while gross foreign direct investment in the mining and industry sectors reached U.S$19.1 million and U.S.$84.8 million, respectively, in the first three months of 2012, decreases of 1.5% and 3.1%, respectively, from 2010.

The level of gross foreign direct investment in 2011 increased to U.S.$1,033.3 million in 2011 from U.S.$935.6 million in 2010 and U.S.$686.7 million in 2009. Divestment totaled U.S.$174.4 million in 2011, a decrease from U.S.$292.7 million in 2010, which was primarily the result of debt repayments by domestic businesses to foreign parent companies. The level of gross foreign direct investment in the first three months of 2012 increased to U.S.$313.6 million from U.S.$242.8 million in the same period in 2011. Divestment totaled U.S.$35.0 million in the first three months of 2012, a decrease from U.S.$41.7 million in the same period in 2011.

Five countries were the main sources of foreign direct investment in 2011: Sweden, Spain, Brazil, the United States of America and France. The largest portion of the investments from Sweden, Spain, Brazil and France were used primarily for hydrocarbons. Investments from the United States of America were primarily used for hydrocarbons, manufacturing, commerce, transportation and communications.

The following table shows foreign direct investment for the periods indicated:

Foreign Direct Investment

	Year ended December 31,					Three months ended March 30,	
	2007	**2008**	**2009**	**2010**	**2011**	**2011**	**2012**
			(in millions of U.S.$)				
Gross Foreign Direct Investment							
Hydrocarbons	162.7	376.5	325.4	310.0	383.9	84.0	123.6
Mining	319.7	477.8	91.6	219.7	238.4	19.4	19.1
Industry	142.6	102.2	48.8	280.3	216.7	87.5	84.8
Transport, Storage and Communications	178.6	58.6	86.7	28.5	101.6	19.6	18.7
Trade, Electricity and Other Services	149.7	287.0	134.1	97.1	92.7	32.2	67.4
Total	**953.3**	**1,302.0**	**686.7**	**935.6**	**1,033.3**	**242.8**	**313.6**
Foreign Direct Investment Outflow	(587.0)	(789.4)	(263.6)	(292.7)	(174.4)	(41.7)	(35.0)
Net Foreign Direct Investment	**362.3**	**507.6**	**425.7**	**671.8**	**858.9**	**201.1**	**278.6**

Source: Central Bank

THE MONETARY SYSTEM

Central Bank

Overview

The Central Bank is a self-governing government institution with the power to take independent actions aimed at maintaining the purchasing power of the national currency. It is the authority that defines the monetary and exchange rate policy of the country in coordination with the Ministry of Economy and Public Finance. It is also the governing body of the domestic financial intermediation system.

In addition to administering monetary and exchange rate policy, the Central Bank maintains our international reserves and performs several functions for the public sector, including holding fiscal accounts for all public sector entities and representing the Government before international and multinational monetary organizations. Although the Central Bank generally cannot issue credit to the public sector nor incur contingent liabilities, it may provide emergency credit to the General National Treasury to address inflation, food shortages and security, natural disasters, social and productive infrastructure reconstruction, and housing rehabilitation and restoration. See "Public Sector Indebtedness—Public Domestic Debt."

The board of the Central Bank is composed of a president and five directors appointed from the lists of persons prepared by the Plurinational Legislative Assembly. Currently, the Plurinational Legislative Assembly has not yet prepared such a list for the appointment of the president of the Central Bank. As a result, an interim president was appointed by Supreme Decree.

Monetary and Exchange Rate Policies

The Central Bank conducts its monetary and exchange rate policies with the goal of preserving the national currency's purchasing power in order to contribute to national economic and social development. This is done in coordination with the executive branch, through the Ministry of Economy and Public Finance, as required by the Bolivian Political Constitution.

With the goal of controlling inflation and promoting economic growth in coordination with the Government, the Central Bank's policies in 2011 continued to be countercyclical in nature. Through these policies, the Central Bank actively worked to ensure that inflation decreased and to mitigate the negative effects of economic cycles. Within this framework, the Central Bank continued increasing the weekly supply of government securities to manage the money supply at the beginning of 2011. The second quarter of 2011 saw a decrease in inflation and inflationary expectations, which, together with the deteriorating international economic environment and the tight fiscal policy that limited the injection of General National Treasury resources into the economy, led the Central Bank to no longer consider it necessary to increase the weekly supply of government securities. During the final part of 2011, and in the context of abundant seasonal liquidity, the supply of government securities was increased temporarily in order to generate larger space for monetary policy in 2012, given the potentially adverse effects of the global economic slowdown.

Under its exchange rate policy in 2011, the Central Bank gradually appreciated the boliviano against the U.S. dollar due to external pressures. The greater pace of appreciation in the first half of 2011 eased the effects of higher prices for imported products, which was primarily the result of higher international commodity prices and the appreciation of other currencies in the region. The pace of appreciation was reduced in the second half of 2011 as imported inflation, which is inflation brought about by an increase in the price of imports, decreased and the international economic environment became more uncertain.

The increased volatility of global financial markets during 2011 generated by the U.S. and European debt crises boosted capital flows to economies in the South American region. Our crawling peg foreign exchange rate and measures to stop any abrupt flows of foreign currency, including commissions and limits on investment outside of Bolivia, largely prevented the crises from negatively impacting our economy. The reduction of international inflation and nominal appreciation mitigated external inflationary pressures, allowing domestic prices to stabilize.

Meanwhile, the policies of the executive branch, which included financial and technological support to farmers, funding for irrigation projects, the removal of tariffs on imported machinery and inputs for agriculture, the direct import and sale of food to consumers, and fighting against speculation and smuggling, were also important for the gradual reduction in inflation in 2011 to close at 6.9%.

Reserve Requirements

The Central Bank's macroprudential policy is designed to control and make the best use of financial system liquidity. Reserve requirements not only help to reduce insolvency risks from potential bank runs, but also effectuate monetary policy; for example, our reserve requirements have contributed to increased deposits and loans in national currency in accordance with our policy of the "bolivianization" of the financial system. See "—Monetary and Finance Sector—Deposits, Loans, and Bolivianization."

In August 2009, the Central Bank implemented a new reserve requirement regime in which the reserve requirement for deposits in national currency, including in *Unidades de Fomento de Vivienda* ("UFVs"), was 12% (2% in cash and 10% in securities) and the reserve requirement for deposits in foreign currency, including bolivianos pegged to the U.S. dollar ("MVDOL"), was 14% (2% in cash and 12% in securities). The UFV is an index that reflects the daily evolution of domestic market prices and is calculated by the Central Bank based on the Consumer Price Index; contracts and transactions may be indexed to UFVs. The cash and securities reserve requirements for deposits in national currency and the cash reserve requirement for deposits in foreign currency are applicable to the obligations of the financial system with the public, overnight deposits and savings accounts and time deposits of less than or equal to 360 days. The securities reserve requirement for deposits in foreign currency are applicable to deposits in foreign currency with maturities of greater than or equal to 720 days.

The new reserve requirement regime also established an additional reserve requirement applicable to financial intermediaries. This additional reserve requirement requires that financial intermediaries maintain a 30% reserve in securities of the difference between current deposits in foreign currency of less than or equal to 720 days and those at September 30, 2008 (the "comparison base").

In order to encourage deposits in national currency, this new reserve requirement regime also introduced a mechanism to reduce the reserve requirement for deposits in national currency, which is determined by the difference between the current portfolio of deposits in national currency and that at June 30, 2009. The entire cash reserve requirement for deposits in national currency may be eliminated in the first instance and the securities reserve requirement for deposits in national currency may then be reduced to two-fifths of the requirement.

In February 2010, the Central Bank increased the reserve requirement for deposits in foreign currency to 15.5% (13.5% in cash and 8% in securities). At the same time, the Central Bank increased the additional reserve requirement from 30% to 45%.

On January 10, 2012, the Central Bank established a new system of reserve requirements, which came into effect on April 2, 2012. This new system consists of the gradual elimination of the comparison base for the calculation of the additional reserve requirement, with total elimination of the comparison base occurring in mid-August 2016. With these changes, in mid-August 2016, all deposits in foreign currency between zero days and 359 days will be subject to a reserve requirement of 66.5% (8% in securities, 13.5% in cash and 45% in additional reserves in securities). Deposits in foreign currency between 360 days and 720 days will be subject to a reserve requirement of 53% (8% in securities, 0% in cash and 45% in additional reserves). Deposits in foreign currency beyond 720 days will be subject only to the additional reserve requirement of 45%. This change in the calculation of the additional reserve requirement will assist in the consolidating the bolivianization process, particularly with respect to deposits. See "—Monetary and Finance Sector—Deposits, Loans, and Bolivianization."

The following table shows the base date percentage of the additional reserve requirement during the implementation of the new system of reserve requirements:

Additional Reserve Requirement Base Date Percentage Schedule

Requirement Period		Base Date
Start	**End**	**Percentage[(1)]**
03/05/2012	03/18/2012	100.0
04/02/2012	04/15/2012	92.5
08/06/2012	08/19/2012	85.0
12/10/2012	12/23/2012	77.5
03/04/2013	03/17/2013	70.0
08/05/2013	08/18/2013	62.5
12/09/2013	12/22/2013	55.0
03/03/2014	03/16/2014	47.5
08/04/2014	08/17/2014	40.0
12/08/2014	12/21/2014	32.5
04/13/2015	04/26/2015	25.0
08/03/2015	08/16/2015	17.5
12/07/2015	12/20/2015	10.0
04/11/2016	04/24/2016	2.5
08/01/2016	08/14/2016	–

Source: Central Bank

Financial System Supervision Authority

Overview

The Financial System Supervision Authority (the "FSSA") is entrusted with the supervision and regulation of the financial and securities sectors.

The FSSA and the Central Bank maintain close coordination for the design, development, monitoring and evaluation of economic policies related to the regulation of the financial system. Members of both institutions, in addition to the Ministry of Economy and Public Finance, meet regularly to discuss issues related to the financial system. There is ongoing coordination of policy goals and objectives related to economic stability and financial development, mechanisms to promote lending to the productive sector, banking and bolivianization. In addition, these institutions coordinate revisions to the rules and regulations affecting financial and monetary policy.

In its capacity as the supervising authority over the financial system, the FSSA issues prudential standards and accounting regulations for the financial system in accordance with the Bolivian Political Constitution, the National Development Plan and sound supervisory practices. It also implements monitoring policies based on sound practices that contribute to financial and macroeconomic stability.

The FSSA works to protect the rights of financial consumers and the quality of financial services, to expand the dissemination of information in the financial system in order to facilitate the understanding and decision making processes of the general population, and to protect the savings and investments of the general population in order to preserve public confidence in the financial system. In addition, the FSSA works to strengthen the prevention, detention, control and reporting of money laundering.

Prudential Standards

The FSSA has detailed prudential requirements for all financial intermediaries. Significant policies include the following:

Minimal Capital Requirements

Banks must have at least 5.5 million in special drawing rights. Other participants, such as savings and loan mutuals, have much lower thresholds.

Maximum Limits Of Loan Concentration

Limits on loan concentration for banks include no more than 20% of net worth to one borrower or group of borrowers and no more than 5% of net worth for unsecured loans to one borrower or group of borrowers.

Capital Adequacy Ratio

The capital adequacy ratio, calculated in accordance with Basel II standards, must be at least:

Financial Intermediation Entity	Capital Adequacy Ratio
Banks	10%
Non-banks	10%

As of June 30, 2012, the average capital adequacy ratio for financial intermediation entities was 12.55% and no financial intermediation entity was below the minimum threshold.

Provisions

Financial intermediation entities must establish specific, generic, and cyclical provisions for different currencies with respect to the borrower's loan balance.

The following table shows the specific provisions required for loans to businesses in the productive sector:

Loan Category	Qualification	Loans in Bs. or UFV	Loans in Foreign Currency or MVDOL
A	Sufficient cash flow from operations and administrative efficiency.	0%	2.5%
B	Cash flow from operations may be temporarily negative.	2.5%	5%
C	Cash flow from operations is insufficient given difficulties in economic or administrative activities or inadequate structuring of financial obligations.	20%	20%
D	Cash flow from operations is insufficient and payment capacity is dependent on extraordinary income. Includes loans without sustainable information.	50%	50%
E	Does not possess the capacity to pay from operations. Includes deviation of credit. Credit in execution for up to 24 months.	80%	80%
F	Insolvency. Assets are declared insufficient or null. No alternative payment sources. Credit in execution for more than 24 months.	100%	100%

The FSSA may require generic provisions to cover missing estimates resulting from a review by the FSSA.

In order to mitigate risks from the economic cycle, financial intermediation entities must establish cyclical provisions. Financial Intermediation Entities may use the cyclical provisions when: (1) there is a deterioration of total portfolio for six consecutive months or there is a deterioration of the quality of the productive sector loan portfolio for six consecutive months, or (2) 100% of the total required cyclical provision has been met.

Securities

The FSSA regulates the securities market with the goal of strengthening its proper functioning through the licensing and registration of investment funds, brokerage houses, securities issues and new participants.

Regulation in the stock market involves three basic areas: transparency, investor protection and reducing systemic risk (crisis and general deficiency). Transparency is achieved through required disclosure and dissemination of information. With respect to investor protection and systematic risk reduction, participants are required to meet prudential standards and internal controls. In addition, laws have been adopted to protect investors from manipulative, fraudulent or misleading practices.

Monetary and Finance Sector

Overview

As of December 31, 2011, the Bolivian banking system was composed of fifty financial entities:

- ten national banks;

- two foreign bank branches;
- five private financial funds;
- eight savings and loans mutuals; and
- twenty-five credit unions.

Monetary Sector

In 2011, the monetary aggregates of the economy, which measure the total value of the money supply within the economy, expanded primarily for two reasons: (1) the expansion of real economic activity and (2) the process of increasing the use of the national currency in the financial system, known as "bolivianization" (de-dollarization). This expansion of monetary aggregates did not produce imbalances in the currency markets. The monetary base and the money supply continued their upward trend in 2011, which corresponded to the increase in net international reserves, the increase in financial system deposits, and the increase in legal reserve requirements. The monetary base expanded by 28.2% in 2011, which, with respect to origin, was primarily the result of the increase in net international reserves. See "The External Economy—International Reserves." This expansion caused by the increase in net international reserves was partially offset by the accumulation of deposits from the public sector and open market operations. With respect to destination, this increase was primarily the result of the increase in bank reserves and expanded circulation due to bolivianization. See "—Deposits, Loans and Bolivianization." Monetary emission reached Bs.28,585.1 million in 2011, an increase of 16.3% as compared to 2010. The monetary base contracted by 10.2% during the first six months of 2012, which was primarily due to the accumulation of deposits from the public sector and open market operations.

The Central Bank establishes an annual monetary program that includes specific policies aimed at fulfilling the objectives set out in the Bolivian Political Constitution to maintain the stability of domestic purchasing power through low and stable inflation. The monetary program is one of the pillars of the formulation of monetary policy and is part of the annual macroeconomic program developed jointly between the Ministry of Economy and Public Finance and the Central Bank, which sets goals for five macroeconomic variables: results of the non-financial public sector, the internal financing of the non-financial public sector, net domestic credit of the Central Bank to the non-financial public sector, total net domestic credit of the Central Bank and net international reserves.

Increases in the net international reserves, to the extent that such increases originate from foreign exchange, have ripple effects in the monetary base and monetary aggregates. However, recent increases of net international reserves have led to the accumulation of deposits of the non-financial public sector at the Central Bank, which attenuated the ripple effect. Moreover, given that we are going through an accelerated process of "bolivianization," the increases in the monetary base and monetary aggregates responded, at least in part, to a change in economic portfolios.

Net international reserves also have other important roles in relation to monetary policy, which include:

- building confidence in the national currency and contributing to further bolivianization, a situation that, in turn, creates more space for monetary and exchange rate policy and reinforces transmission mechanisms of such policy;
- generating high levels of confidence in the economy and economic policies;

- discouraging speculative behavior with respect to the exchange rate, which is closely linked to the monetary system.

The following table shows the monetary base for the periods indicated:

Monetary Base

	As of December 31,					As of June 30,
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
		(in millions of Bs. except as otherwise noted)				
Monetary Base	17,458.3	22,292.5	29,568.1	32,577.5	41,768.1	37,503.8
Origin						
Net International Reserves	40,266.6	53,822.5	59,803.3	67,523.8	82,447.2	85,336.7
Net Public Sector Credit	(8,061.8)	(11,931.9)	(12,037.9)	(19,033.7)	(23,173.1)	(29,131.1)
Bank Credit	2,118.6	1,681.2	1,363.7	1,292.9	1,072.5	1,183.1
Certificates of Deposit, Letters and Bonds(1)	7,648.0	15,462.3	10,916.9	8,033.2	9,839.3	11,709.3
Net Other Accounts	(9,217.2)	(5,817.1)	(8,644.2)	(9,172.3)	(8,739.3)	(8,175.6)
Destination						
Currency of the General Public	13,117.5	15,807.4	17,079.5	22,484.8	25,813.6	25,236.8
Bank Reserves	4,340.8	6,485.1	12,488.6	10,092.7	15,954.5	12,267.1
Monetary Base Variation (%)	55.5	27.7	32.6	10.2	28.2	20.1(2)

Source: Central Bank
(1) Central Bank Certificates of Deposit, Letters of Monetary Regulation and Monetary Regulation Bonds held by banks and other financial institutions.
(2) Inter-annual variation from June 2011 to June 2012.

The behavior of the broader monetary aggregates in 2011 was primarily the result of higher financial system deposits. The increase of deposits in national currency, which increased by 39.5% as compared to 2010, induced higher growth rates for aggregates in national currency than those in foreign currency. The monetary base multipliers, which are ratios of the monetary aggregates to the monetary base, had lower rates than those observed in 2010, the result of a greater increase in the monetary base than in the monetary aggregates, reflecting stable levels of secondary money creation.

The following table shows determinates of monetary aggregates for the periods indicated:

Money Supply

	As of December 31,					As of June 30,
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
Monetary Aggregates[(1)]			(*in millions of Bs.*)			
M1	17,097.6	21,718.6	24,918.3	31,889.9	37,092.3	37,521.5
M'1	21,325.5	25,645.6	30,295.5	37,244.2	42,821.4	43,964.8
M2	24,061.8	32,672.6	36,648.7	45,856.1	55,353.7	56,474.1
M'2	35,604.9	44,350.0	52,334.5	59,795.5	70,469.6	72,379.5
M3	27,364.1	37,751.0	44,810.8	57,454.4	73,285.8	79,939.3
M'3	52,240.3	62,632.8	74,984.5	84,382.3	99,315.1	105,188.6
M4	30,075.5	42,618.2	48,994.2	60,415.1	77,322.3	84,223.6
M'4	55,247.5	67,638.7	79,191.0	87,345.8	103,351.6	109,472.8
M'3 Variation (%)	28.9	19.9	19.7	12.5	17.7	21.5[(2)]
Monetary Multipliers[(3)]						
m1	0.98	0.97	0.84	0.98	0.89	1.0
m'1	1.22	1.15	1.02	1.14	1.03	1.2
m2	1.38	1.47	1.24	1.41	1.33	1.5
m'2	2.04	1.99	1.77	1.84	1.69	1.9
m3	1.57	1.69	1.52	1.76	1.75	2.1
m'3	2.99	2.81	2.54	2.59	2.38	2.8
m4	1.72	1.91	1.66	1.85	1.85	2.2
m'4	3.16	3.03	2.68	2.68	2.47	2.9

Source: Central Bank

(1) M1 = Notes and Coins Held By the Public + Deposits in National Currency ("NC") and UFV.
M'1 = M1 + Deposits in Foreign Currency ("FC") and Value Maintaining Currency ("VMC").
M2 = M1 + Bank Savings in NC and UFV.
M'2 = M2 + Savings and VMC in FC.
M3 = M2 + Term and Other Deposits in NC and UFV.
M'3 = M3 + Term and Other Deposits in FC and VMC.
M4 = M3 + Government Securities Held By the Non-Financial Private Sector in NC and FC.
M'4 = M'3 + Government Securities Held By the Non-Financial Private Sector in NC, FC, VMC and UFV.

(2) Inter-annual variation from June 2011 to June 2012.

(3) m1 = M1/Monetary Base; m'1 = M'1/Monetary Base.
m2 = M2/Monetary Base; m'2 = M'2/Monetary Base.
m3 = M3/Monetary Base; m'3 = M'3/Monetary Base.
m4 = M4/Monetary Base; m'4 = M'4/Monetary Base.

Deposits, Loans and Bolivianization

The sustained increase of both national income and domestic demand as well as the implementation of a set of specific policies to reactivate productive credit allowed the financial intermediation system to report significant and unprecedented growth of over 25% of loan portfolios in 2011 as compared to 2010.

Deposits in the financial system continued their upward trend, increasing by 18.9% as of December 31, 2011, as compared to December 31, 2010, 12 percentage points higher than the growth as of December 31, 2010, as compared to December 31, 2009, to reach U.S.$10,805.4 million, as of December 31, 2011, which was primarily the result of substantial growth in household incomes and households' ability to save, wage increases, increased remittances and public confidence in the soundness of the financial system.

Financial system loans increased significantly in 2011, reaching U.S.$8,284.3 million as of December 31, 2011, 26.2% higher as compared to December 31, 2010. This increase was primarily due to the sustained growth of our economic activity and a set of Government measures designed to boost productive credit and housing. The low delinquency rate of 1.6% as of December 31, 2011, compared to 2.1% as of December 31, 2010, reflects the ability of borrowers to service their loans. Credit extended to the productive sector, commercial sector (wholesale and retail), and service sector increased by 25.9%, 31.1% and 21.3%, respectively, as of December 31, 2011 as compared to December 31, 2010.

The current process of national economic "bolivianization" is the result of a set of fiscal, monetary, financial and exchange rate policies designed to strengthen the use of the boliviano generally as a means of payment, a store of value and a unit of account. Bolivianization is important because it enables policymakers, particularly monetary policy makers, to apply countercyclical policies in a timely and effective manner. In the past decade, the degree of dollarization of the Bolivian economy ranged from 90% to 95%, such that monetary policy was virtually nonexistent in Bolivia, confined simply to crawling peg exchange rate administration to support the export sector and anchor inflation at controllable levels. The Government's decision to support the strengthening of the national currency since 2006 has allowed, for the first time in our history, bolivianization to border on 70%, reversing the state of almost total dollarization at the beginning of the 21st century. Indeed, the percentage of deposits and credit denominated in national currency reached 64.0% and 69.5%, respectively, as of December 31, 2011.

The following table shows public deposits and loan portfolio by type for the five years ended December 31, 2011:

Public Deposits and Loan Portfolio by Type

	As of December 31,				
	2007	**2008**	**2009**	**2010**	**2011**
	(*in millions of U.S.$ except as otherwise noted*)				
Public Deposits					
Overnight	1,084.7	1,413.1	1,900.3	2,125.5	2,434.5
Savings	1,885.8	2,683.1	3,094.8	3,212.7	3,928.1
Fixed Term	2,142.6	2,541.1	3,122.5	3,334.4	3,957.1
Others	230.6	334.7	380.8	414.8	485.7
Total Public Deposits	**5,343.8**	**6,972.1**	**8,498.3**	**9,087.4**	**10,805.4**
Deposit Bolivianization (%)	**36.0**	**46.9**	**47.5**	**56.1**	**64.0**
Loan Portfolio					
Gross					
Performing	3,995.9	4,794.1	5,425.6	6,622.3	8,359.5
Past-Due	28.3	28.5	28.8	28.0	30.1
Implementation	186.8	158.3	145.5	117.2	109.6
Total Gross	4,211.0	4,980.8	5,599.9	6,767.5	8,499.2
Accrued Interest Receivable	42.6	57.4	54.4	55.5	73.7
Provision For Bad Debt Portfolio	(255.9)	(267.2)	(260.7)	(257.8)	(288.6)
Total Loan Portfolio	**3,997.7**	**4,771.0**	**5,393.6**	**6,565.2**	**8,284.3**
Credit Bolivianization (%)	**19.2**	**34.0**	**38.3**	**56.3**	**69.5**
Nonperforming Loans (%)	**5.1**	**3.7**	**3.1**	**2.1**	**1.6**

Source: Financial System Supervision Authority, Central Bank

The following table shows the gross loan portfolio by use for the five years ended December 31, 2011:

Gross Loan Portfolio by Use

	As of December 31,				
	2007	**2008**	**2009**	**2010**	**2011**
	(in millions of U.S.$)				
Productive					
Agriculture and Livestock	235.9	237.9	246.2	268.5	405.6
Hunting, Forestry and Fishing	3.7	6.6	6.0	6.9	8.5
Petroleum and Natural Gas	25.3	15.3	16.6	29.7	24.3
Metallic and Nonmetallic Minerals	30.5	29.3	24.8	30.2	48.4
Manufacturing	758.6	850.4	870.4	939.4	1,229.7
Production and Distribution Of Electricity and Natural Gas	43.5	62.0	60.6	61.8	70.7
Construction	509.2	617.9	795.6	1,033.4	1,196.2
Total Productive	**1,606.7**	**1,819.5**	**2,020.1**	**2,369.9**	**2,983.3**
Wholesale and Retail	892.9	1,166.7	1,380.5	1,864.3	2,443.5
Services					
Hotels and Restaurants	87.4	95.7	98.3	113.5	143.8
Transport, Storage And Communications	292.1	362.9	439.5	472.0	558.8
Financial Intermediation	79.8	93.6	86.1	93.5	94.0
Real Estate, Renting and Business Services	981.5	1,118.4	1,201.8	1,540.0	1,951.9
Public Administration, Defense and Social Security	15.0	17.7	10.8	11.4	8.3
Education	47.7	48.3	63.7	65.9	51.5
Social, Community and Personal Services	199.7	250.1	293.7	235.3	261.9
Private Household Services	0.6	0.7	0.4	0.2	0.3
Extraterritorial Organizations and Bodies	2.7	0.7	0.3	0.1	0.1
Atypical Activities	5.0	6.6	4.6	1.3	1.8
Total Services	**1,711.4**	**1,994.7**	**2,199.2**	**2,533.2**	**3,072.4**
Gross Loan Portfolio	**4,211.0**	**4,980.8**	**5,599.9**	**6,767.5**	**8,499.2**

Source: Financial System Supervision Authority

Interest Rates

In 2011, the borrowing interest rates of the financial system in national currency were above those recorded in 2010, but still at low levels. This increase was primarily the result of the agreement between the executive branch and the banking sector to promote the interest rates of deposits, the low increase in liquidity (which remained at levels similar to those in 2009) and the direct offering of securities by the Central Bank that provided more attractive returns than those offered by financial institutions. However, the interest rates for foreign currency deposits declined slightly in 2011 and were at levels lower than those reported in national currency, which encouraged savings in bolivianos.

The following table shows effective interest rates for the five years ended December 31, 2011:

Effective Interest Rates

	2007	2008	2009	2010	2011
			(%)		
Average Interest Rate for Period					
Effective Lending Rate					
National Currency					
Banks	12.73	13.47	11.59	9.97	10.92
Cooperatives	18.28	18.84	19.91	17.52	16.05
Private Financial Funds	30.25	27.17	29.07	25.32	22.41
Savings and Loans Mutuals	10.69	9.89	11.01	7.28	7.17
Foreign Currency					
Banks	10.46	11.25	11.30	8.25	8.01
Cooperatives	14.68	14.16	16.77	14.15	13.26
Private Financial Funds	19.34	20.18	21.36	17.49	16.22
Savings and Loans Mutuals	8.14	7.99	10.09	7.98	6.54
Effective Deposit Rate					
Time Deposits					
National Currency					
Banks	3.55	4.79	3.33	1.06	1.45
Cooperatives	4.70	3.77	3.54	2.30	2.35
Private Financial Funds	4.53	5.15	4.01	1.56	1.88
Savings and Loans Mutuals	3.65	3.27	2.18	0.47	0.63
Foreign Currency					
Banks	2.46	3.60	1.90	0.38	0.33
Cooperatives	2.48	3.25	3.34	2.02	1.94
Private Financial Funds	3.52	5.79	4.03	1.24	1.12
Savings and Loans Mutuals	2.40	2.48	1.92	0.39	0.40
Savings					
National Currency					
Banks	2.18	2.75	1.49	0.50	0.77
Cooperatives	3.68	2.47	2.11	0.83	0.60
Private Financial Funds	3.45	3.33	2.42	0.94	0.79
Savings and Loans Mutuals	2.96	3.17	2.57	0.40	0.77
Foreign Currency					
Banks	1.34	2.90	1.38	0.20	0.13
Cooperatives	1.44	1.58	1.46	0.72	0.51
Private Financial Funds	1.96	2.92	1.97	0.76	0.30
Savings and Loans Mutuals	1.12	2.32	1.96	0.56	0.64

	2007	2008	2009	2010	2011
			(%)		
Interest Rate at End of Period					
Effective Lending Rate					
National Currency					
Banks	14.35	13.86	9.08	10.37	10.81
Cooperatives	18.00	20.54	19.63	16.31	16.06
Private Financial Funds	33.79	32.71	27.57	23.52	21.22
Savings and Loans Mutuals	10.62	9.83	8.79	7.03	7.38
Foreign Currency					
Banks	10.45	12.58	8.56	7.27	7.87
Cooperatives	14.13	16.90	15.59	14.39	12.61
Private Financial Funds	21.99	23.63	17.83	15.79	12.44
Savings and Loans Mutuals	7.44	10.23	9.70	6.76	8.97
Effective Deposit Rate					
Time Deposits					
National Currency					
Banks	4.52	5.97	1.95	0.84	1.65
Cooperatives	3.71	3.78	2.33	2.25	2.66
Private Financial Funds	4.43	5.38	2.18	1.69	2.47
Savings and Loans Mutuals	3.42	2.96	0.49	0.39	0.91
Foreign Currency					
Banks	2.19	4.17	0.55	0.29	0.68
Cooperatives	2.27	4.47	2.30	1.79	2.44
Private Financial Funds	4.44	6.77	1.71	0.98	1.65
Savings and Loans Mutuals	2.14	2.88	0.38	0.34	0.51
Savings					
National Currency					
Banks	2.36	2.78	0.29	0.59	0.70
Cooperatives	2.64	2.65	1.19	0.66	0.57
Private Financial Funds	3.26	3.28	0.89	1.00	0.67
Savings and Loans Mutuals	2.87	4.14	0.64	0.52	1.16
Foreign Currency					
Banks	1.59	3.67	0.37	0.14	0.12
Cooperatives	1.33	1.75	1.00	0.55	0.46
Private Financial Funds	2.24	2.92	0.64	0.71	0.25
Savings and Loans Mutuals	1.03	3.38	0.82	0.64	0.73

Source: Central Bank

Effective average lending rates in national currency generally increased in 2011. The effective average lending rate in national currency by banks increased by 0.95 percentage points in 2011, from 9.97% in 2010 to 10.92% in 2011.

Effective average lending rates in foreign currency generally decreased in 2011. The effective average lending rate in foreign currency by banks decreased by 0.24 percentage points in 2011, from 8.25% in 2010 to 8.01% in 2011.

Effective average interest rates for deposits in national currency generally increased in 2011 after having generally decreased in 2010. The effective average interest rate for time deposits in national currency in banks increased by 0.39 percentage points in 2011, from 1.06% in 2010 to 1.45% in 2011. The effective average interest rate for savings in national currency in banks increased by 0.27 percentage points, from 0.50% in 2010 to 0.77% in 2011.

Effective average interest rates for deposits in foreign currency generally decreased in 2011 and 2010. The effective average interest rate for time deposits in foreign currency in banks decreased by 0.05 percentage points in 2011, from 0.38% in 2010 to 0.33% in 2011. The effective average interest rate for savings in foreign currency in banks decreased by 0.07 percentage points, from 0.20% in 2010 to 0.13% in 2011.

The following table shows real interest rates for the five years ended December 31, 2011:

Real Interest Rates

	2007	2008	2009	2010	2011
			(%)		
Average Interest Rate for Period					
Real Lending Rate					
National Currency	4.60	0.24	3.05	8.04	2.31
Foreign Currency	2.86	(7.01)	(4.33)	6.54	(0.19)
Real Deposit Rate					
Time Deposits					
National Currency	(2.44)	(7.27)	(3.98)	0.19	(5.56)
Foreign Currency	(4.30)	(13.05)	(11.17)	(1.24)	(6.99)
Savings					
National Currency	(3.70)	(8.73)	(6.07)	(0.78)	(6.13)
Foreign Currency	(5.47)	(13.71)	(11.94)	(1.45)	(7.12)
Interest Rate at End of Period					
Real Lending Rate					
National Currency	2.71	(1.20)	7.69	6.51	0.20
Foreign Currency	(1.11)	(10.44)	3.63	5.12	(3.05)
Real Deposit Rate					
Time Deposits					
National Currency	(4.74)	(8.25)	0.08	(1.37)	(7.62)
Foreign Currency	(7.68)	(16.16)	(4.36)	(2.11)	(9.72)
Savings					
National Currency	(6.03)	(9.92)	(1.81)	(1.98)	(8.29)
Foreign Currency	(8.72)	(16.83)	(4.86)	(2.27)	(9.92)

Source: Central Bank

Average real lending rates declined in 2011. The average real lending rate in national currency decreased by 5.73 percentage points in 2011, from 8.04% in 2010 to 2.31% in 2011. The average real lending rate in foreign currency decreased by 6.73 percentage points in 2011, from 6.54% in 2010 to negative 0.19% in 2011.

Average real interest rates for deposits in national currency declined in 2011. The average real interest rate for time deposits in national currency decreased by 5.75 percentage points in 2011, from 0.19% in 2010 to negative 5.56% in 2011. The average real interest rates for savings in national currency decreased by 5.35 percentage points in 2011, from negative 0.78% in 2010 to negative 6.13% in 2011.

Average real interest rates for deposits in foreign currency declined in 2011. The average real interest rate for time deposits in foreign currency decreased by 5.75 percentage points in 2011, from negative 1.24% in 2010 to negative 6.99% in 2011. The average real interest rates for savings in foreign currency decreased by 5.67 percentage points in 2011, from negative 1.45% in 2010 to negative 7.12% in 2011.

Inflation

The 12-month inflation rate as of December 31, 2011 was 6.9%, compared to 7.2% as of December 31, 2010 and 0.3% as of December 31, 2009. The highest monthly inflation rates in 2011 occurred during the first three months, which was primarily the result of the external factors of high international agricultural commodity prices and the appreciation of currencies in the region. Internal factors contributing to inflation during the first three months of 2011 were a lower supply of agricultural products caused by adverse weather conditions in the winter of 2010 and early 2011 and the side effects of the temporary leveling of liquid fuel prices in January 2011 that increased food price and inflationary expectations.

Against this background, the Government implemented a series of anti-inflationary measures designed to reduce the rate of inflation. Those measures included: (1) supplying food to local markets; (2) importing food, especially corn and wheat flour, in order to stabilize the price of chicken meat and to maintain the price of bread, which have a relatively strong importance in the consumer price index; (3) deferring tariffs on imports of food and temporary export regulation; (4) controlling speculation and smuggling; (5) open market operations; (6) nominal appreciation of the national currency; and (7) implementing austere fiscal policies. See "The External Economy—Foreign Trade." These measures began to reverse inflation's upward trend in April 2011. During the second quarter of 2011, prices largely stabilized and then registered a downward trend in the second half of the year.

Since September 2010, the international food price index has experienced annual growth rates above 17%. The cereals price index, including for maize, which is a basic input for the production of chicken meat, registered even higher growth rates. International sugar prices have also recorded substantial increases since October 2010. High international food prices and lower domestic supply as a result of adverse weather conditions that reduced production in the winter of 2010 and the summer of 2010/2011, have increased domestic food prices since the second half of 2010. Increases in domestic food prices were also exacerbated by smuggling and speculation practices during the last quarter of 2010 and the first quarter of 2011. As a result, 12-month inflation peaked at 11.3% in May and June 2011. Later, as a result of the Government's procurement and market control policies, 12-month inflation was gradually reduced to 6.9% at the end of 2011.

In the first half of 2012, inflation has been low and stable. Twelve month inflation in the first quarter of 2012 continued the downward trend that began in July 2011, reaching 4.0% in March 2012. Price variations entered an adjustment phase in April 2012, and twelve month inflation reached 4.5% in the first half of 2012. The trend in twelve month inflation during the first half of 2012 was generally the result of the following internal and external factors: (1) an adjustment of prices in the service sector; (2) general food price stability; (3) reduced inflationary pressures from external sources, in line with the behavior of international commodity markets; and (4) anchored public expectations.

The following table shows the annual change in the consumer price index for the periods indicated:

Inflation

Year/Period	Consumer Price Index Increase Over Previous 12 months
	(%)
As of December 31, 2007	11.7
As of December 31, 2008	11.8
As of December 31, 2009	0.3
As of December 31, 2010	7.2
As of December 31, 2011	6.9
As of June 30, 2012	4.5

Source: National Institute of Statistics

Exchange Rates

The Central Bank maintains fixed exchange rates to the boliviano that are periodically readjusted. See "Exchange Rates." Exchange rate policy in 2011 was designed, as in 2010, to assist in anti-inflationary measures through small revaluations of the national currency in order to temper external inflationary pressures, especially those resulting from increases in the prices of food commodities. See "The Monetary System—Monetary and Finance Sector—Inflation." The boliviano was appreciated on seven occasions in 2011, closing at Bs.6.86 per U.S.$1.00 on December 31, 2011. As of the date of this Offering Memorandum, the exchange rate had not been adjusted in 2012.

Stock Market

Overview

The Bolsa Boliviana de Valores S.A., the only stock market in Bolivia, is a private, for-profit company founded in 1989. Its mission is to promote a regular, competitive, equitable and transparent stock market, with infrastructure, systems and rules for efficiently channeling investors' savings into companies and private and state institutions that require resources to finance productive projects and development.

Ninety issuers of securities, twelve external audit firms, nine brokerage houses, nine investment fund management companies, 43 open and closed funds, two securitization companies, four rating agencies and one securities depository corporation participate in the stock market.

As of March 31, 2012, 57 companies had registered 334.1 million securities in the stock market, with a total capitalization of Bs.12.1 billion. The number of fixed income and equity issuers has consistently risen, from 71 in 2007 to 83 as of December 31, 2011. Fixed income securities represent the largest percentage of securities that trade on the stock market, accounting for 99.3% of trading volume in the first six months of 2012 and 96.0% in 2011.

Issuance by Sector

Each sector has varying participation issuances by in the stock market. The industrial sector ranks highest, issuing U.S.$846.2 million in stock between 1989 and 2011, 24.8% of the total value in stock issued during this time, followed by the electrical sector, which has issued U.S.$638.6 million, or 18.7% of the total amount issued, and closed investment funds, which issued U.S.$420.9 million, or 12.3% of the total amount issued. Hydrocarbons rank fourth with U.S.$414.6 million, or 12.1% of the total amount issued, while banks, having issued U.S.$318.6 million or 9.3% of the total amount issued, and mining, having issuing U.S.$314.9 million or 9.2% of the total amount issued, rank fifth and sixth, respectively. Financial services issued 5.2% of the total amount issued, while issued agro-industry issued only 4.8% of the total amount issued. Other industries, which include communications, municipal, insurance, transportation, FFPs and commerce, combine to account for the remaining 3.6% of the total amount issued.

Trading Amounts by Currency

The trading amounts in all currencies, particularly in the boliviano, have increased since 2007. In 2007, bolivianos represented only 36.0% of the total amount traded, while in 2011 bolivianos represented 64.6% of total volume.

The following table shows the distribution of the currencies used for settlement in the stock market for the periods indicated:

Amounts Settled by Currency

Currency	Year Ended December 31,					Six Months Ended June 30,	
	2007	2008	2009	2010	2011	2011	2012
	(in thousands of U.S.$)						
U.S. Dollars	1,094.9	1,135.2	1,154.5	1,098.0	1,189.2	511.0	485.0
Bolivianos	850.7	847.4	1,118.5	2,196.5	3,776.7	1,595.7	2,936.6
UFVs	414.0	1,105.6	461.3	539.6	861.8	362.5	397.8
VMC	3.2	0.8	18.4	32.1	20.2	7.9	124.4
Euros	1,252.0	639.0	–	–	–	–	–
Total Amount Settled	2,364.1	3,089.7	2,752.8	3,866.2	5,847.9	2,477.1	3,943.8

Source: Bolsa Boliviana de Valores

Trading Volume

The value of stock traded in 2011 was U.S$18.4 million, an increase of 70.4% as compared to U.S.$10.8 million in 2010. The value of stock trading during the first six months of 2012 was U.S.$7.9 million.

The following table shows trading data for the periods indicated:

Bolsa Boliviana de Valores Trading Data

Period	Period-End Market Capitalization	Stock Value Traded	Investment Fund Value Traded	Fixed Income Value Traded
	(in millions of U.S.$.)			
Year Ended December 31, 2007	2,250.1	5.1	31.6	2,364.1
Year Ended December 31, 2008	2,649.4	47.6	12.0	3,089.7
Year Ended December 31, 2009	2,768.8	2.5	23.6	2,752.8
Year Ended December 31, 2010	3,359.5	10.8	32.9	3,866.3
Year Ended December 31, 2011	4,090.9	18.4	215.9	5,847.9
Six Months Ended June 30, 2011	3,903.5	0.1	14.7	2,477.1
Six Months Ended June 30, 2012	4,129.0	7.9	17.6	3,943.8

Source: Bolsa Boliviana de Valores

PUBLIC FINANCES

Public Sector Budget

Overview

Each year the Government Budget is prepared by the Ministry of Economy and Public Finance, which writes a bill and sends it to the Plurinational Legislative Assembly for consideration and approval. Since the passage of the 2011 State's General Budget Law, the Government Budget includes the 337 municipalities of Bolivia, which means that municipalities have assumed the obligation to submit to the Ministry of Economy and Public Finance their respective Annual Operating Plan and budget, pursuant to the provisions in the Bolivian Political Constitution and the Autonomy Law. The public entities that are included in the Government Budget are the executive branch, departmental governorships, municipalities, universities, decentralized agencies, social security, government owned enterprises and the legislative, judicial, and electoral bodies. These entities are responsible for developing their institutional budgets, which are aggregated and consolidated in the Government Budget by the Ministry of Economy and Public Finance and presented by the President to the Plurinational Legislative Assembly for approval pursuant to the Bolivian Political Constitution.

Budget Policy

Between 2001 and 2005, the Government maintained a permanent fiscal deficit that was financed by loans from international organizations, such as the IMF and the World Bank, that imposed their own economic policies. As a result of the responsible management of public resources during the past six years, we have not resorted to external borrowing in order to pay the salaries or bonuses of state sector employees (including teachers and health workers).

Six years ago, the public sector took responsibility for boosting economic growth by channeling investment and creating state enterprises, without leaving aside the policy of economic surplus redistribution, through, for example, government transfer programs, which contributed to a decrease in extreme poverty from 38.2% in 2005 to 24.3% in 2011. See "Bolivia—Social Welfare Programs—Government Transfer Programs." On December 23, 2011, the Plurinational Legislative Assembly approved the budget for 2012 (the "2012 Government Budget"). The 2012 Government Budget aims to drive economic growth to 5.52% and maintain macroeconomic stability—with a rate of inflation of 5%—as in the previous six years and amid the global financial crisis. Economic growth in 2012 will receive an additional boost with the injection of U.S.$3,252 million in public investment, an increase of 25% over the budget approved for 2011 and an amount never before budgeted by any previous administration, which is possible due to the increased revenues resulting from the nationalization policy. In keeping with our budgets since 2006, we have budgeted a Bs.7,057.7 million deficit for the consolidated non-financial public sector in 2012 due to a set of conservative revenue assumptions upon which the budget is based, including relatively low prices for hydrocarbons. Nonetheless, we have recorded fiscal surpluses for the consolidated non-financial public sector at the close of each fiscal year since 2006 despite the budgeted deficits.

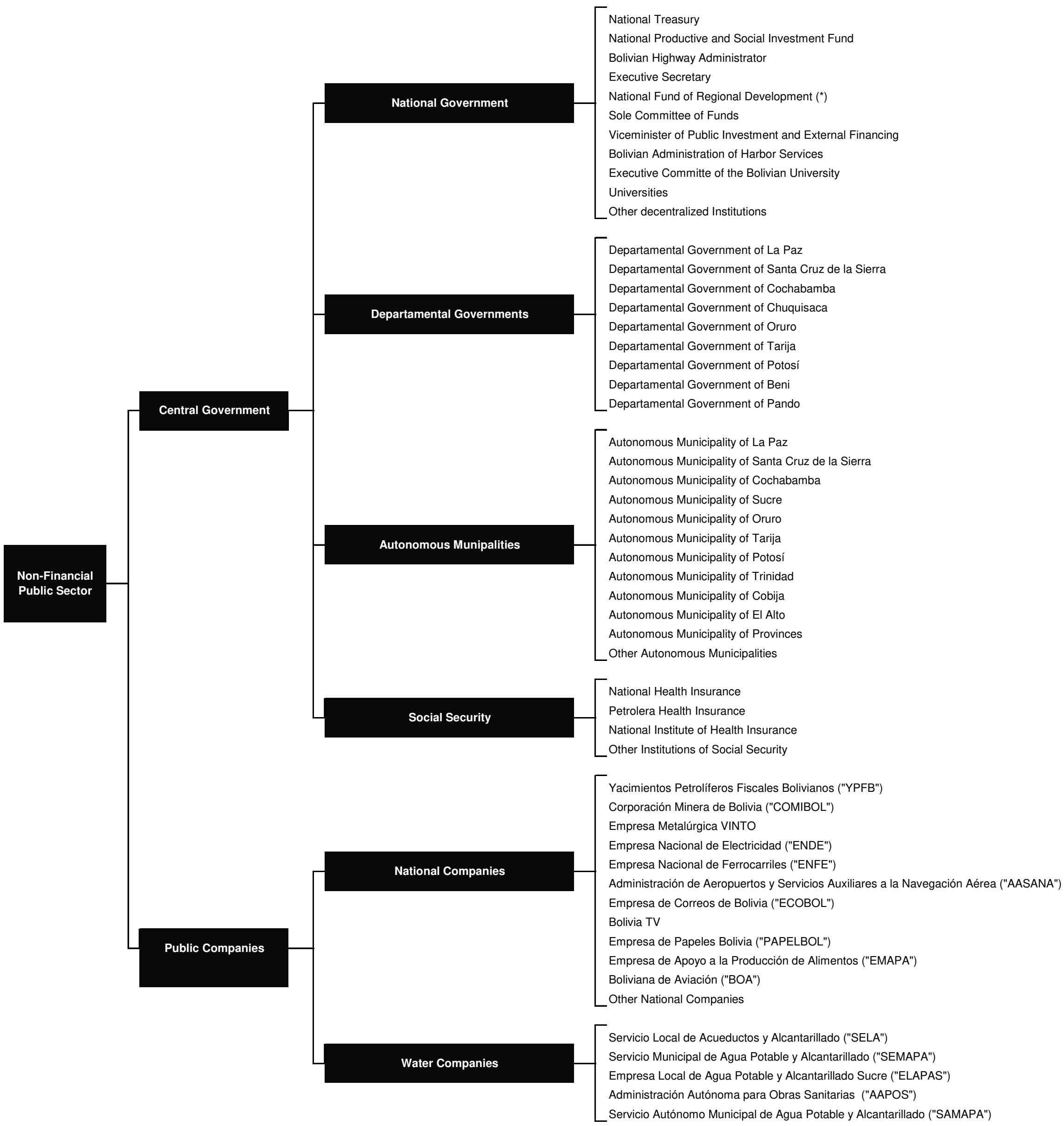
Non-Financial Public Sector

Overview

The non-financial public sector is composed of both the general government and public companies. The general government consists of (1) the central government, (2) the departmental governments, (3) the municipal governments, and (4) social security administration. Public companies are those owned by the central, departmental, or municipal governments and include national public companies and water companies.

The following graphic shows the composition of the non-financial public sector:

Non-Financial Public Sector



Source: Ministry of Economy and Public Finance
(*) Despite being a public financial institution, the National Fund for Regional Development is included in the non-financial public sector because it is to directly related to the operations of this sector.

In 2006, our economic policy changed and we embarked on a new economic model based on two pillars: (1) the strategic sectors that generate surplus and (2) the revenue and employment sectors. The Government plays a key role in both of these pillars and in the redistribution of income, in which social welfare programs and the elimination of poverty are prioritized. See "The Bolivian Economy—New

Economic, Social, Communitarian and Productive Model." Fiscal stimulus is one of the principal tools that we use to generate growth and strengthen domestic demand. As a result of our management of fiscal accounts we have achieved six consecutive years of fiscal surpluses. The nationalizations we have carried out have helped to generate additional revenue for the country. The Government has simultaneously embarked on a series of measures to steadily increase tax revenue, such as improved control and oversight of tax collection agencies, the expansion of the tax base, the creation of new taxes in the tax structure, and raising tax awareness in the population.

Consolidated non-financial public sector operations show the consolidated performance of the non-financial public sector on a cash flow basis and are generated by: (1) collecting, analyzing and reviewing cash flow information for publicly monitored entities; (2) consolidating the cash flows; (3) completing and adjusting the figures with financing data provided by the Central Bank; and (4) completing and adjusting the figures with additional data, such as data on floating debt and non-current deposits.

The following table shows the consolidated non-financial public sector operations for the five years ended December 31, 2011 and the budgeted amount for 2012:

Consolidated Non-Financial Public Sector Operations[(1)]

	2007	2008	2009	2010	2011[(2)]	Budget 2012
			(in millions of Bs.)			
Revenue						
Current Revenue						
Non-Hydrocarbon Tax Revenue						
Internal Revenue	15,167.4	19,365.6	17,980.7	20,678.6	26,144.2	28,920.4
Customs Revenue	1,091.5	1,332.1	1,178.9	1,544.9	2,095.9	2,558.5
Mining Royalties	542.1	688.2	548.9	795.0	1,193.4	1,163.5
Total Non-Hydrocarbon Tax Revenue	16,800.9	21,385.9	19,708.5	23,018.5	29,433.5	32,642.4
Hydrocarbon Taxes	7,782.1	2,580.4	1,847.3	2,252.8	2,432.2	2,470.4
Hydrocarbon Sales	13,235.3	26,332.8	25,325.3	26,392.9	30,830.1	28,503.3
Sales of Other Companies	1,803.8	2,390.3	2,335.7	3,465.6	5,248.6	5,824.9
Current Transfers	811.0	998.1	1,262.1	1,312.6	1,514.9	1,522.5
Other Current Revenue	2,764.3	3,170.0	4,764.8	3,552.5	4,780.8	4,869.2
Total Current Revenue	43,197.4	56,857.6	55,243.7	59,994.9	74,240.1	75,832.8
Capital Income	1,732.3	1,536.9	1,449.6	1,577.5	1,374.5	863.7
Total Revenue	**44,929.7**	**58,394.5**	**56,693.3**	**61,572.4**	**75,614.6**	**76,696.5**
Expenditures						
Current Expenditures						
Personal Services	9,983.6	11,327.6	13,205.0	14,050.0	16,726.4	18,487.3
Goods and Services	12,371.5	18,350.8	14,870.9	19,272.8	22,764.1	26,862.9
External Debt Interest and Commission	885.6	798.6	549.0	482.0	734.2	779.2
Domestic Debt Interest and Commission	460.3	231.1	1,430.3	1,739.1	1,257.2	1,364.5
Current Transfers	5,412.0	7,352.3	9,513.6	8,011.0	9,519.4	10,475.7
Of Which: Pensions	3,487.1	3,800.3	4,313.5	4,543.5	5,101.0	5,906.6
Other Current Expenditures	990.0	1,175.3	1,377.8	964.5	1,117.9	1,259.0
Total Current Expenditures	30,103.0	39,235.8	40,946.6	44,519.4	52,119.2	59,228.6
Capital Expenditures	13,041.4	15,242.4	15,637.5	14,737.2	22,113.3	24,525.6
Total Expenditures	**43,144.4**	**54,478.2**	**56,584.1**	**59,256.6**	**74,232.5**	**83,754.2**
Current Surplus (Deficit)	**13,094.5**	**17,621.8**	**14,297.2**	**15,475.5**	**22,120.9**	**16,604.2**
Overall Surplus (Deficit) Before Pensions	**5,272.5**	**7,716.5**	**4,422.7**	**6,859.2**	**6,483.0**	**(1,151.2)**
Pensions	(3,487.1)	(3,800.3)	(4,313.5)	(4,543.5)	(5,101.0)	(5,906.6)
Overall Surplus (Deficit)	**1,785.4**	**3,916.2**	**109.2**	**2,315.7**	**1,382.0**	**(7,057.7)**
Total Financing	(1,785.4)	(3,916.2)	(109.2)	(2,315.7)	(1,382.0)	7,057.7
External Financing						
Disbursements	3,189.1	3,570.3	3,784.2	5,609.0	7,759.9	9,532.3
Principal Repayment	(2,129.7)	(2,570.5)	(2,505.0)	(4,159.5)	(4,685.9)	(4,578.9)
Treasury Bonds–Venezuela	78.8	661.5	–	–	–	–
External Banks Deposits	(75.1)	(49.6)	(1.9)	(34.8)	(108.7)	–
Total External Financing	**1,063.0**	**1,611.7**	**1,277.2**	**1,414.6**	**2,965.3**	**4,953.4**
Domestic Financing						
Central Bank						
Quasi-Fiscal[(3)]	(1,296.9)	(1,457.4)	(106.2)	177.2	(405.8)	(224.3)
Net Credit	(1,784.4)	(4,594.6)	(394.8)	(6,926.6)	(4,010.0)	2,328.6
Total Central Bank	(3,081.4)	(6,052.0)	(501.0)	(6,749.3)	(4,415.9)	2,104.3
Net Credit Financial System[(4)]	(456.8)	(927.0)	615.4	2,994.6	(600.4)	–
Other Domestic Financing[(5)]	689.8	1,451.1	(1,500.8)	24.4	669.0	–
Total Domestic Financing	**(2,848.4)**	**(5,527.9)**	**(1,386.4)**	**(3,730.4)**	**(4,347.3)**	**2,104.3**

Source: Ministry of Economy and Public Finance, Central Bank

(1) Foreign currency accounts were converted at the exchange rate fixed each year.

(2) Preliminary.

(3) FONDESIF is excluded.

(4) Includes the rest of the banking system, non-current deposits, and placement of securities to savings and loans mutuals, the National Housing Fund, investment management companies, stockbrokers and other financial agents. Does not include salary payments to government employees.

(5) Includes floating debt, tax certificates, bonds issued to the Futuro de Bolivia S.A.–AFP, and others.

Fiscal Policy

Between 2001 and 2005, we maintained a permanent fiscal deficit financed by loans from international organizations such the IMF and the World Bank. Since 2006, we have established a sovereign fiscal-financial program, without the conditions or requirements of international organizations, and achieved very positive results. The Ministry of Economy and Public Finance and the Central Bank coordinate economic policies aimed at promoting growth and economic development while preserving macroeconomic stability.

In 2011, we achieved all of the goals of our fiscal-financial program. For 2011, we identified a target deficit of Bs.6,477 million, but due to significant increases in tax revenues, increased oil revenues and the continuation of our current expenditure austerity policy, we reached a surplus of Bs.1,382.0 million.

We had originally planned to increase domestic financing by Bs.4,150 million in 2011. However, the surplus recorded in 2011 reduced our need to obtain domestic financing; as a result, domestic financing was reduced by Bs.4,347.3 million in 2011. Similarly, net credit from the Central Bank was reduced by Bs.4,010.0 million rather than being increased by Bs.4,210 million as planned.

Fiscal Balance

After 66 years of fiscal deficits, the non-financial public sector has registered an average annual surplus of 2% of GDP since 2006. This surplus is primarily the result of new income policies that have been implemented since 2006, the nationalization of the hydrocarbons sector, public company operations and tightly controlled current spending. In 2011, the non-financial public sector surplus reached Bs.1,382.0 million, or 0.8% of GDP, as a result of the dynamism of the economy, greater tax efficiency, increased hydrocarbon revenues due to increased natural gas sales to Argentina and Brazil, and an increase in the sales of goods and services by non-hydrocarbon public companies.

Revenues

Since 2007, revenue has significantly increased on average, reaching Bs.75,614.6 million in 2011, an increase of 22.8% as compared to Bs.61,572.4 million in 2010. This increase was primarily the result of the 23.7% increase in current revenue in 2011, which is itself the result of increased tax revenues, increased natural gas sales to Argentina and Brazil, and increased revenues by non-hydrocarbon public companies. Of total revenue in 2011, 40.8% was from hydrocarbon sales and 38.9% was from non-hydrocarbon taxes.

Revenues from hydrocarbon sales grew 16.8% in 2011, from Bs.26,392.9 million to Bs.30,830.1 million, due to the momentum of the external and domestic demand and the favorable international oil prices; nonetheless, hydrocarbon sales as a percentage of total revenues decreased by 2.1 percentage points in 2011 while internal revenue and revenues by non-hydrocarbon public companies as a percentage of total revenues increased. Meanwhile, capital income, which includes multilateral and bilateral grants, declined by 12.9% in 2011, from Bs.1,577.50 million in 2010 to Bs.1,374.50 million in 2011, while capital income as a percentage of total revenues declined by 0.7 percentage points in 2011 due to a decline in bilateral and multilateral grants.

Non-hydrocarbon tax revenues reached Bs.29,433.5 million in 2011, an increase of 27.9% as compared to 2010, due to greater efficiency in tax collection by tax collection entities and growth of the economy. Taxes from internal revenue reached Bs.26,144.2 million in 2011, compared to Bs.20,678.6 million in 2010. Collections of domestic VAT, import VAT and company income taxes registered significant increases in 2011.

Expenditures

Total expenditures in 2011 reached Bs.74,232.5 million, an increase of 25.3% as compared to Bs.59,256.6 million in 2010. This was primarily the result of the approximately 50% increase in capital expenditures and the higher current expenditures as compared to 2010.

Current expenditures in 2011 totaled Bs.52,119.2 million, an increase of 17.1% as compared to Bs.44,519.4 million in 2010. The increase in current expenditures is primarily the result of salary increases in the education, health, armed forces and police sectors, increased employment in the health and education sectors, conditional transfers to the private sector, and increased in goods and services, itself primarily the result of an increase in the WTI crude oil price. The increase has been focused on our policies of redistribution and improving the income of the population. Nonetheless, current expenditures have remained around 71.3% of total expenditures since 2007.

Capital expenditures in 2011 totaled Bs.22,113.3 million, an increase of 50.1% as compared to Bs.14,737.2 million in 2010, the result of an increase in public investment by the central government and subnational entities. As a result of such investments, public investment has nearly tripled since 2006, becoming one of the most important sources of economic growth.

During the past several years, public companies have begun to play a more active role in the economy, accounting for Bs.3,157.3 million or 14.3% of total capital expenditures in 2011, while their share of total capital expenditures was barely 1.0% in 2005. This increase has been due to projects by YPFB, the principal strategic public company, which recorded levels of investment in 2011 that were aimed at implementing projects in operating activities, transportation, exploration, implementation of the Río Grande Liquid Separation Plant, and the installation of household gas networks.

The following table shows the social expenditures of the Government for the five years ended December 31, 2011:

Social Expenditures of the Government(1)

	2007	2008	2009	2010	2011(2)
			(in millions of Bs.)		
Education	6,300.8	6,676.1	7,628.5	8,269.1	10,884.0
Social Protection	3,836.9	5,489.9	6,045.5	6,430.5	7,024.6
Healthcare	1,652.8	1,500.0	1,826.9	2,087.7	2,956.6
Housing and Community Services	226.7	259.8	268.9	238.1	439.0
Total	**12,017.3**	**13,925.8**	**15,769.9**	**17,025.4**	**21,304.2**

Source: Ministry of Economy and Public Finance, Central Bank

(1) Includes the estimated nominal value of Cuban assistance in health and education as well as disbursements on for health, education and communal equipment projects under the "*Bolivia Cambia, Evo Cumple*" program.

(2) Preliminary.

Education

Investments in the education sector are an essential element in our economic development that we believe contribute to the strengthening of our human capital, which in turn improves the welfare of households through access to better opportunities. In 2011, social spending on education reached Bs.10,884.0 million, an increase of 31.6% as compared to Bs.8,269.1 million 2010. This growth was primarily the result of an 11% increase in wages, the creation of 2,100 new jobs and higher transfers to universities. In 2011 we also continued with the project "one laptop per teacher," the construction of educational infrastructure, and the implementation of a program to professionalize teachers hired on contract. Spending in the first stage of post-secondary education reached Bs.2,588.9 million in 2011, an increase of 17.1% as compared to Bs.2,211.0 million in 2010, which was primarily the result of higher transfers to universities in order to strengthen higher education. We also continued to pay the Juancito Pinto Scholarship Program.

Social Protection

In 2011, Government spending on social protection, which includes programs aimed at assisting the elderly, young persons entering the labor force and children, reached Bs.7,024.6 million, an increase of 9.2% as compared to Bs.6,430.5 million in 2010. This increase was primarily the result of an increase of 6.5% in payments to retirees and an increase in the coverage of the Dignity Pension program, which benefited 8.4% of the population in 2011.

Spending directed towards families and children, which is aimed primarily at subsidizing prenatal care, expenses related to birth, breastfeeding and burial expenses as well as providing funding for scholarships and grants, reached Bs.191.3 million in 2011, an increase of Bs.132.1 million as compared to Bs.59.2 million in 2010.

In 2011, we initiated a new program to build homes in northern Potosí. Spending on this program was Bs.17.6 million in 2011.

Healthcare

In order to guarantee access to health services and improve food quality, especially for the most disadvantaged, the Government has allocated a significant number of resources in recent years for the provision of health infrastructure, medical training, social security and public health, including programs such the National Nutrition Program and the Juana Azurduy Voucher program. See "Bolivia—Social Welfare Programs—Government Transfer Programs—Juana Azurduy Voucher Program."

The model of healthcare and health management in Bolivia, established in June 2008, is called the Intercultural Community Family Health (*Salud Familiar Comunitaria Intercultural* or "SAFCI"). SAFCI aims to eliminate social exclusion in health, strengthen effective social participation in health management and provide healthcare while respecting indigenous and traditional medicine practiced by the agrarian worker.

In 2011, Government health spending reached Bs.2,956.6 million, an increase of 41.6% as compared to Bs.2,087.7 million in 2010. This increase was primarily the result of growth of 69.8% in health care costs associated with wage increases in this sector, new jobs and higher transfers to the departmental governors for health development. In addition, we continued to pay the Juana Azurduy voucher program and constructed sports and health centers. Expenditures for specialized hospital services, public health services and other medical products—designed to strengthen health systems, oral health promotion and transfers to the mother-child universal health insurance—accounted for 13.5%, 3.5% and 1.7%, respectively, of Government spending on healthcare in 2011.

Our Scientific & Technical Cooperation Agreement with Cuba, signed on July 16, 1985, provides that both governments will pool their efforts to help solve health problems on behalf of their respective citizens. The purpose of that Agreement was to establish the mechanisms of cooperation between the Ministries of Health, including providing for the exchange of trained medical professionals.

Our combined efforts with Cuba helped us to open 30 new comprehensive community hospitals, two police hospitals and two high-technology centers between 2006 and 2008. Today the Cuban Medical Brigade is present in nine departments, 96 provinces and 256 municipalities. Approximately 1,225 Cuban professionals work in 32 community hospitals, 15 Ophthalmic Centers, one Collaboration Clinic and 563 Medical Consultation Offices.

Housing and Community Services

The administration of President Morales has worked to increase access to suitable housing and the establishment of property rights in order to reduce the housing shortage while prioritizing the low-income population. In this context, spending on housing and community services reached Bs.439.0 million in 2011, an increase of 84.3% as compared to Bs.238.1 million in 2010, which was primarily the result of higher spending on water supply and community development. Expenditure on water supply reached Bs.264.9 million in 2011, accounting for 60.4% of spending in this sector, an increase of Bs.244.9 million compared to 2010. This substantial increase was primarily the result of the construction of potable water and sewage systems, transfers to the National Social and Productive Investment for projects in Rio Grande, the financing of the National Irrigation for Communities, and the extension of the District 8-El Alto sanitary sewer system.

Community development expenditures were Bs.108.8 million in 2011, directed mainly to the Rural Alliances Project with Bs.75.4 million. This project aims to benefit small farmers by improving their access to markets by financing partnership plans between small producers and market agents. In 2011, we increased the funds in the Social Housing Solidarity Program to Bs.434.8 million. Under this program, 10,474 dwellings were completed while 17,487 were still under construction as of December 31, 2011.

Financing

We are implementing a public debt policy based on the reduction of the public debt portfolio risks to which we were exposed in 2005, when debt maturities were under one year, exchange rates fluctuated and debt was largely issued in foreign currency, among others. Our policy of sustainable public debt was initiated in 2006 in order to obtain debt on more favorable maturity and interest rate terms. See "Public Sector Indebtedness."

The Bs.1,382.0 million fiscal surplus, together with the Bs.2,965.3 million in external financing obtained in 2011, caused a further decrease in domestic financing of Bs.4,347.3 million. Thus, non-financial public sector entities continued to accumulate resources in 2011.

2012 Budget

Overview

The 2012 Government Budget has an expansive and productive character, and does not restrict social benefits, such as payments under the Dignity Pension program, the Juancito Pinto cash transfer program or the Juana Azurduy Voucher program. The 2012 Government Budget also promotes productive investment in state enterprises such as YPFB, Empresa Minera Huanuni, Empresa Metalúrgica Vinto, COMIBOL, and ENDE.

The 2012 Government Budget is based on the following forecast of the 2012 Bolivian economy. While the Government believes that these assumptions and targets were reasonable when made, some are beyond the control or significant influence of the Government, and actual outcomes will depend on future events. Accordingly, no assurance can be given that economic results will not differ materially from the figures set forth below.

- *GDP*: U.S.$26,846 million
- *Real GDP growth:* 5.52%

- *Inflation:* 5.0%
- *Foreign exchange rate*: Bs./U.S.$6.86

Revenue

Consolidated non-financial public sector revenue is budgeted at Bs.76,696.5 million, Bs.75,832.8 million of which is current revenue and Bs.863.7 million of which is capital revenue. Non-hydrocarbon tax revenue and hydrocarbon sales revenue are budgeted at Bs.32,642.4 million and Bs.28,503.3 million, respectively, and represent 43.0% and 37.6% of budgeted current revenues, respectively. In keeping with our budgets since 2006, we have budgeted a Bs.7,057.7 million deficit for the consolidated non-financial public sector in 2012 due to a set of conservative revenue assumptions upon which the budget is based, including relatively low prices for hydrocarbons. Nonetheless, we have recorded fiscal surpluses for the consolidated non-financial public sector at the close of each fiscal year since 2006 despite the budgeted deficits.

The 2012 Government Budget budgets revenue at Bs.145,942.9. Tax revenues under the 2012 Government Budget, excluding the direct tax on hydrocarbons for 2012, are budgeted at Bs.28,422 million, and represent 19.5% of budgeted revenues.

Expenditures

Consolidated non-financial public sector expenditures are budgeted at Bs.83,754.2 million, Bs.59,228.6 million of which is budgeted for current expenditures and Bs.24,525.6 million of which is capital expenditures. Goods and services expenditures and personal services expenditures are budgeted at Bs.26,862.9 million and Bs.18,487.3 million, respectively, and represent 45.4% and 31.2% of budgeted current expenditures, respectively.

The principal expenditures of the 2012 Government Budget are Bs.68,018.5 million for the productive sector and Bs.32,966.4 million in social spending. Under the 2012 Government Budget, Bs.57,799.6 million is earmarked for hydrocarbons and energy, Bs.4,662.9 million is earmarked for mining and metallurgy, Bs.2,354.7 million is earmarked for productive development and a diverse economy, Bs.2,133.3 million is earmarked for economic development, and Bs.1,068.9 million is earmarked for rural and land development.

Expenditures for salaries and wages represent 11.2% of the 2012 Government Budget, or Bs.20,766.2 million, of which Bs.6,102 million is for departmental education services, Bs.1,281 million is for departmental health services, Bs.1,327.9 million is for the armed forces, and Bs.913.8 million is for police. The 2012 Government Budget also provides Bs.828.5 million for the payment of municipal administration salaries, Bs.600 million for departmental administration expenditures, Bs.1,563.8 million for public enterprises, Bs.2,425.5 million for decentralized entities, Bs.1,693.7 million for public universities, Bs.1,304.7 million for central administration, Bs.1,302.7 million for social security institutions, and Bs.90.0 million for financial institutions.

The 2012 Government Budget provides U.S.$755.3 million for hydrocarbons subsidies, of which U.S.$464.9 million is intended to subsidize diesel oil imports and U.S.$74.8 million is intended to subsidize liquefied petroleum gas imports, while U.S.$204.7 million was budgeted for special gasoline subsidies. The hydrocarbons subsides are determined by considering the international context and the behavior of volatile oil prices. The 2012 budget provides for a reduction in revenues from the Direct Tax on Hydrocarbons because it estimates a drop in oil prices in the international market.

Goods and services expenditures account for Bs.38,892.6 million of the 2012 Government Budget, up from the amounted budgeted in 2011 due primarily to wholesale operations (wholesale fuel commercialization in the domestic market) and production by YPFB, as well as operations carried out by public enterprises. The 2012 Government Budget also includes goods and services provided by local authorities, amounting to a total of Bs.5,214.9 million (Bs.4,197.9 million for municipalities and Bs.1,016.9 million departmental governors), as well as Bs.1,629.8 million for decentralized entities, Bs.2,377.8 million for the central government, and Bs.3,544 million for the operating expenses of the other public companies.

The 2012 Government Budget allocates U.S.$4,798.6 million to expenditures in the social sector. The main social sector spending is focused on education with Bs.11,332.4 million, while health and sports will receive Bs.5,722.6 million; these figures are higher than the budget given to defense (armed forces), which will receive Bs.3,214.1 million, and the national police, which will receive Bs.2,309.0 million.

Under the 2012 Government Budget, investment planned for the productive sector amounts to U.S.$1,108.2 million (32.0% of the total U.S.$3,461.4 million planned for public investment), which consists of U.S.$662.0 million for hydrocarbon projects, U.S.$219.5 million for the agricultural sector, U.S.$115.9 million for industry and tourism, and U.S.$110.8 million for mining. In addition, U.S.$1,268.8 million is budgeted for infrastructure investment (36.7% of total investment), which consists of U.S.$989.9 million for the construction of roads, U.S.$125.5 million for investments in electricity, U.S.$82.8 million for communications, and U.S.$70.6 million for water resources. The investment planned for the social sector amounts to U.S.$891.2 million, of which U.S.$348.0 million is budgeted for planning and housing; U.S.$256.5 million for education and culture; U.S.$190.6 million for basic sanitation, and U.S.$96.1 million for health and social security.

The nine departmental governors, the 337 municipalities, and the 11 public universities will receive transfers of Bs.13,550.6 million in the 2012 Government Budget, an increase of 2.8% compared to the amount budgeted in 2011. The departmental governors will receive Bs.4,134.0 million, the municipalities will receive Bs.8,012.8 million, and the universities will receive Bs.1,403.8 million.

General Government

In 2011, the general government recorded a deficit of Bs.1,908.1 million, after a deficit of Bs.134.9 million in 2010. Capital expenditures increased by 47.0%, from Bs.13,679.9 million in 2010 to Bs.20,104.9 million, and current expenditures increased by 25.6%, from Bs.28,873.8 million in 2010 to Bs.36,253.4 million in 2011.

Total revenue was Bs.54,450.3 million in 2011, an increase of 28.4% as compared to Bs.42,418.9 million in 2010, which was primarily the result of a 35.6% increase in internal tax revenue, from Bs.21,031.9 million in 2010 to Bs.28,520.1 million in 2011. Domestic VAT collection increased by 20.5% in 2011, while import VAT and corporate tax collections increased by 49.1% and 46.1%, respectively. Together, domestic VAT, import VAT and corporate taxes accounted for 73.9% of internal tax revenue. The increase in domestic VAT collection was primarily the result of increased consumption and sales. The increase in import VAT collection was primarily the result of the increase in total imports. The increase in corporate tax collection was primarily the result of the strong performance of the mining and hydrocarbon sectors.

Revenue generated by the hydrocarbons sector through natural gas exports increased in 2011, which was primarily the result of favorable export prices and increased production. The price of natural gas exports to Argentina gradually increased in 2011 to reach U.S.$10.2 per MBTU in December 2011. The price of natural gas exports to Brazil increased from U.S.$6.3 per MBTU in April 2011 to U.S.$8.3 per MBTU in December 2011. Hydrocarbon tax revenue reached Bs.16,154.4 million in 2011, on account of revenues from the special tax on hydrocarbons and derivatives, which increased by 10.8% as compared to 2010, and larger hydrocarbon royalties, which increased by 21.6% as compared to 2010.

Total expenditures reached Bs.56,358.3 million in 2011, an increase of 32.4% as compared to Bs.42,553.7 million in 2010, which was primarily the result of an increase of 47.0% in capital expenditures, which increased from Bs.13,679.9 million in 2010 to Bs.20,104.9 million in 2011. The increase in capital expenditures was primarily the result in increased investments by subnational governments and the Bolivian Road Administration, which had major projects such as the Northern Corridor Highway, the two-lane highway between La Paz and Oruro, the highway between Potosí and Uyuni, the Southern Integration Highway and the highway in northern Santa Cruz.

Current expenditures increased by 25.6% in 2011, from Bs.28,873.8 million in 2010 to Bs.36,253.4 million in 2011. Expenditures in goods and services increased by 67.3% in 2011, from Bs.2,989.8 million in 2010 to Bs.5,001.6 million in 2011, principally the result of increased expenditures by the central government, salary expenditures and transfers to the private sector through government transfer programs to the neediest and most vulnerable sectors of the population. See "Bolivia—Social Welfare Programs—Government Transfer Programs." Included as part of the increased expenditures by the central government, the state-run food company Insumos Bolivia increased its expenditures from Bs.11.3 million in 2010 to Bs.551.7 million in 2011 as it increased its importation, sales and commercialization of sugar in the first quarter of 2011 as part of the measures we implemented to provide sugar supply to the domestic market. Salary expenditures increased by 20.1% in 2011 as the education, health, armed forces and national police salaries increased.

The following table shows the consolidated general government operations for the five years ended December 31, 2011:

Consolidated General Government Operations[1]

	2007	2008	2009	2010	2011[2]
			(in millions of Bs.)		
Revenue					
Current Revenue					
Non-Hydrocarbon Tax Revenue					
Internal Revenue	15,357.4	19,544.9	19,116.0	21,031.9	28,520.1
Customs Revenue	1,111.1	1,401.7	1,178.9	1,544.9	2,216.8
Mining Royalties	542.1	688.2	548.9	795.0	1,193.4
Total Non-Hydrocarbon Tax Revenue	17,010.5	21,634.9	20,843.8	23,371.8	31,930.3
Hydrocarbon Taxes	11,648.9	12,779.0	11,955.3	12,826.5	16,154.4
Sales of Other Companies	183.3	199.1	222.2	245.2	443.6
Current Transfers	1,047.3	1,029.2	1,299.3	1,487.4	1,721.2
Other Current Revenue	2,131.8	2,351.1	4,150.8	2,989.1	2,854.7
Total Current Revenue	32,021.8	37,993.3	38,471.3	40,920.0	53,104.2
Capital Income	1,717.5	1,520.3	1,498.6	1,498.9	1,346.0
Total Revenue	**33,739.3**	**39,513.6**	**39,969.8**	**42,418.9**	**54,450.3**
Expenditures					
Current Expenditures					
Personal Services	9,430.8	10,521.1	12,362.2	13,116.5	15,533.0
Goods and Services	2,030.9	2,680.2	3,212.6	2,989.8	5,001.6
External Debt Interest and Commission	867.0	705.8	477.8	371.7	389.9
Domestic Debt Interest and Commission	451.6	223.2	1,418.6	1,726.3	1,244.2
Current Transfers	5,627.2	11,909.4	9,264.7	9,220.9	13,001.8
Of Which: Pensions	3,487.1	3,800.3	4,313.5	4,543.7	5,101.0
Other Current Expenditures	897.2	296.9	1,063.2	1,448.5	1,083.0
Total Current Expenditures	19,304.7	26,336.6	27,799.1	28,873.8	36,253.4
Capital Expenditures	12,101.7	13,188.7	14,606.2	13,679.9	20,104.9
Total Expenditures	**31,406.4**	**39,525.3**	**42,405.3**	**42,553.7**	**56,358.3**
Current Surplus (Deficit) Current	**12,717.2**	**11,656.6**	**10,672.1**	**12,046.1**	**16,850.8**
Overall Surplus (Deficit) Before Pensions	**5,820.1**	**3,788.5**	**1,878.0**	**4,408.9**	**3,192.9**
Pensions	3,487.1	3,800.3	4,313.5	4,543.7	5,101.0
Overall Surplus (Deficit)	**2,332.9**	**(11.8)**	**(2,435.5)**	**(134.9)**	**(1,908.1)**
Total Financing	(2,332.9)	11.8	2,435.5	134.9	1,908.1
External Financing					
Disbursements	2,161.5	2,581.5	3,365.7	4,877.3	6,809.4
Principal Repayment	(1,527.5)	(1,365.8)	(1,481.9)	(2,191.3)	(1,662.7)
External Banks Deposits	(75.1)	(49.6)	(1.9)	(34.8)	(108.7)
Total External Financing	**637.6**	**1,166.1**	**1,881.9**	**2,651.1**	**5,038.0**
Domestic Financing					
Central Bank	(3,677.5)	(678.8)	316.3	(4,909.8)	(2,978.2)
Quasi-Fiscal[3]	(1,296.9)	(1,457.4)	(106.2)	177.2	(405.8)
Net Credit	(2,380.6)	778.6	422.5	(5,087.0)	(2,572.4)
Net Credit Financial System[4]	(647.1)	(529.9)	1,515.5	3,107.9	(789.0)
Other Domestic Financing[5]	1,354.1	54.3	(1,278.2)	(714.4)	637.3
Total Domestic Financing	**(2,970.6)**	**(1,154.4)**	**553.6**	**(2,516.3)**	**(3,129.9)**

Source: Ministry of Economy and Public Finance, Central Bank
(1) Foreign currency accounts were converted at the exchange rate fixed each year.
(2) Preliminary.
(3) Excludes the finances and operations of FONDESIF.
(4) Includes the rest of the banking system, non-current deposits, and placement of securities to savings and loans mutuals, the National Housing Fund, investment management companies, stockbrokers and other financial agents. Does not include "public official check."
(5) Includes floating debt, tax certificates, bonds issued to the Futuro de Bolivia S.A.–AFP, and others.

Public Companies

Since 2006, the Government has adopted a leading role in shaping the economy through public companies, which was primarily in the agricultural and productive sector. Public companies are companies in which the Central Government, or any of the autonomous territorial governments, has a 50% or greater share, with the purpose of supporting social policy and economic production. In 2011, public companies registered a surplus of Bs.3,290.1 million, an increase of 34.3% as compared to Bs.2,450.7 million in 2010.

Total revenue increased by 33.4% in 2011, from Bs.31,760.0 million in 2010 to Bs.42,363.0 million in 2011, which was primarily the result of an increase in the export price of natural gas, increased volumes of natural gas sales, and current transfers and income from non-hydrocarbon public company sales, which recorded an increase of 51.4% in 2011 due to an increase in domestic market sales.

Among non-hydrocarbon companies, COMIBOL contributed the most to the increase in total revenue as its revenue from domestic market sales increased by Bs.509.7 million in 2011 as compared to 2010, followed by the Empresa de Apoyo a la Producción de Alimentos whose revenue from domestic market sales increased by Bs.488.3 million in 2011 as compared to 2010. Revenue from international market sales increased by 14.6%, principally the result of higher sales volumes by Empresa Metalúrgica Vinto and favorable international prices.

Total expenditures increased by 33.3% in 2011, from Bs.29,309.3 million in 2010 to Bs.39,072.9 million in 2011, principally the result of a 61.9% increase in tax payments, which grew from Bs.7,097.7 million in 2010 to Bs.11,492.9 million in 2011. These increased tax payments were principally the result of an increase in direct tax on hydrocarbons, corporate income tax and other domestic tax payments. Goods and services expenditures increased by 9.1% in 2011, from Bs.16,283.0 million to Bs.17,762.6 million while hydrocarbon royalty and oil import expenditures increased by 23.4%, from Bs.3,829.4 million to Bs.4,726.2 million.

Capital expenditures increased by 166.7% in 2011, from Bs.1,183.6 million in 2010 to Bs.3,157.3 million in 2011. This increase was primarily the result of increased investments in the productive sector, particularly by YPFB, which recorded levels of investment in 2011 that were aimed at implementing projects in operating activities, transportation, exploration, implementation of the Río Grande Liquid Separation Plant, and the installation of household gas networks.

The following table shows the consolidated public company operations for the five years ended December 31, 2011:

Consolidated Public Company Operations[(1)]

	2007	2008	2009	2010	2011[(2)]
			(in millions of Bs.)		
Revenue					
Current Revenue					
Hydrocarbon Sales					
Domestic Market	8,380.6	11,520.6	13,835.2	14,214.2	14,836.2
Foreign Market	4,854.7	14,812.1	11,490.1	12,178.7	15,993.9
Total Hydrocarbon Sales	13,235.3	26,332.8	25,325.3	26,392.9	30,830.1
Sales of Other Companies					
Domestic Market	889.5	1,026.4	1,105.9	1,688.8	3,211.6
Foreign Market	914.3	1,363.9	1,229.8	1,776.8	2,037.0
Total Sales of Other Companies	1,803.8	2,390.3	2,335.7	3,465.6	5,248.6
Current Transfers					
General Government	597.6	4,586.1	1,762.0	1,322.8	3,557.1
Private Sector	4.1	30.1	34.0	55.2	67.3
Total Current Transfers	601.7	4,616.2	1,795.9	1,378.0	3,624.4
Other Current Revenue	2,469.0	619.8	391.8	318.2	1,482.6
Total Current Revenue	18,109.9	33,959.1	29,848.7	31,554.7	41,185.6
Capital Income	141.2	351.2	329.2	205.3	1,177.4
Total Revenue	**18,251.1**	**34,310.3**	**30,177.9**	**31,760.0**	**42,363.0**
Expenditures					
Current Expenditures					
Personal Services	552.8	806.5	842.8	933.5	1,193.4
Goods and Services	10,340.6	15,670.6	11,658.3	16,283.0	17,762.6
External Debt Interest and Commission	18.6	92.8	71.2	110.3	344.3
Domestic Debt Interest and Commission	8.7	7.9	11.7	12.8	13.0
Taxes	3,873.8	6,986.6	7,600.4	7,097.7	11,492.9
Royalties and Oil Imports	2,222.4	3,555.0	3,642.8	3,829.4	4,726.2
Current Transfers	622.9	90.2	2,082.0	342.9	348.2
Other Current Expenditures	92.7	784.4	314.5	(484.1)	34.9
Total Current Expenditures	17,732.6	27,994.0	26,223.7	28,125.3	35,915.5
Capital Expenditures	1,066.1	2,388.3	1,409.5	1,184.0	3,157.3
Total Expenditures	**18,798.7**	**30,382.3**	**27,633.2**	**29,309.3**	**39,072.9**
Current Surplus (Deficit) Current	377.3	5,965.1	3,625.0	3,429.4	5,270.0
Overall Surplus (Deficit)	(547.6)	3,928.0	2,544.7	2,450.7	3,290.1
Total Financing	547.6	(3,928.0)	(2,544.7)	(2,450.7)	(3,290.1)
External Financing					
Disbursements	1,027.6	1,650.2	418.5	731.6	950.5
Principal Repayment	(602.2)	(1,204.7)	(1,023.2)	(1,968.2)	(3,023.2)
Total External Financing	**425.4**	**445.5**	**(604.7)**	**(1,236.5)**	**(2,072.7)**
Domestic Financing					
Central Bank	596.1	(5,373.2)	(817.3)	(1,839.6)	(1,437.6)
Floating Debt	(23.4)	137.8	(429.2)	522.5	1,069.6
Other	(450.5)	861.9	(693.5)	102.9	(849.4)
Total Domestic Financing	**122.2**	**(4,373.5)**	**(1,940.0)**	**(1,214.2)**	**(1,217.4)**

Source: Ministry of Economy and Public Finance, Central Bank
(1) Foreign currency accounts were converted at the exchange rate fixed each year.
(2) Preliminary.

Taxes

Based on the guidelines established in the National Development Plan, a number of tax policy, custom and tariff measures have taken place in recent years. For example, changes were made to the tax code in 2010 with the aim of severely punishing smuggling. Also in 2010, taxes on alcoholic beverages and light-tobacco cigarettes increased, and a specific tax rate was established for energy drinks and beers. In 2011, a VAT rate of zero was established for domestic sales of minerals and metals by mining cooperatives with respect to the first commercialization phase. We have no personal income tax.

The following table shows our tax structure as of December 31, 2011:

Bolivian Tax Structure

Type	Name	Domain	Rate
Indirect	Value Added Tax	National	13%
	Specific Consumption Tax (luxury goods, beverages and cigarettes)	National	Varies
	Special Tax on Hydrocarbons and Derivatives	National	Varies
Direct	Corporate Income Tax	National	25%
	Surtax (additional tax on Corporate Income)	National	25% on certain profits
	Direct Tax on Hydrocarbons	National	32% on 100% of wellhead production
	Transaction Tax	National	3%
	Financial Transaction Tax	National	0.15%
	Supplemental Value Added Tax	National	13%
	Mining Income Tax	Department (85%) Municipal (15%)	12.5% additional tax above the 25% Corporate Income Tax
	Inheritance and Gratuitous Property Transfer Tax	National	1%, 10% and 20%
	Gaming Tax	National	30%
	Gaming Participation Tax	National	15%
	Foreign Air Departure Tax	National	Bs.231
Special Regimes	Simplified Tax Regime (small merchants, craftsmen and sutlers)	National	Fixed by category
	Integrated Tax System (passenger and cargo urban transportation)	National	Fixed by category
	Unified Agricultural Regime (small agricultural properties)	National	Fixed by hectare
External Commerce	Customs Duty	National	10%, 5% and 0%
Municipal	Municipal Tax on Real Estate and Automotive Transfers	Municipal	3%
	Real Estate Property Tax (Urban and Rural)	Municipal	Varies
	Motor Vehicle Property Tax	Municipal	Varies
	Municipal Taxes and Licenses	Municipal	Varies according to economic activity

Source: Ministry of Economy and Public Finance, Central Bank

PUBLIC SECTOR INDEBTEDNESS

General

As of December 31, 2011, our total outstanding public debt was U.S.$8,628.4 million, an increase of 11.0% as compared to U.S.$7,771.3 million as of December 31, 2010. Non-financial public sector domestic debt, which does not include debt contracted between non-financial public sector entities, was U.S.$3,289.6 million, a decrease of 1.4% as compared to U.S.$3,335.5 million as of December 31, 2010, and represented 38.1% of our total outstanding public debt as of December 31, 2011. Debt of the Central Bank, which is contracted for monetary purposes, was U.S.$1,753.6 million as of December 31, 2011, an increase of 27.4% as compared to U.S.$1,376.9 million as of December 31, 2010, and represented 20.3% of our total outstanding public debt as of December 31, 2011. Finally, our total outstanding public external debt was U.S.$3,585.3 million as of December 31, 2011, an increase of 17.2% as compared to U.S.$3,058.9 million as of December 31, 2010, and represented 41.56% of our total outstanding public debt as of December 31, 2011.

As of June 30, 2012, our total outstanding public debt was U.S.$8,856.1 million, an increase of 2.6% as compared to U.S.$8,628.4 million as of December 31, 2011. Non-financial public sector domestic debt was U.S.$3,112.0 million, a decrease of 5.4% as compared to U.S.$3,289.6 million as of December 31, 2011, and represented 35.1% of our total outstanding public debt as of June 30, 2012. Debt of the Central Bank was U.S.$2,040.3 million as of June 30, 2012, an increase of 16.3% as compared to U.S.$1,753.6 million as of December 31, 2011, and represented 23.0% of our total outstanding public debt as of June 30, 2012. Finally, our total outstanding public external debt was U.S.$3,703.8 million as of June 30, 2012, an increase of 3.3% as compared to U.S.$3,585.3 million as of December 31, 2011, and represented 41.8% of our total outstanding public debt as of June 30, 2012.

The following table shows our public debt by debtor as of the five years ended December 31, 2011 and at June 30, 2012:

Public Debt

	As of December 31,										As of June 30,	
	2007		2008		2009		2010		2011(1)		2012(1)	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(*in millions of U.S.$, except percentages*)											
Non-Financial Public Sector Domestic Debt	**2,524.7**	**42.5**	**2,773.4**	**35.7**	**3,038.7**	**40.4**	**3,335.5**	**42.9**	**3,289.6**	**38.1**	**3,112.0**	**35.1**
Central Bank Debt	**1,151.7**	**19.4**	**2,482.9**	**32.0**	**1,758.3**	**23.4**	**1,376.9**	**17.7**	**1,753.6**	**20.3**	**2,040.3**	**23.0**
Public External Debt												
General National Treasury	1,812.3	30.5	1,952.3	25.2	2,082.2	27.7	2,249.6	28.9	2,688.5	31.2	2,801.7	31.6
Other(2)	457.3	7.7	554.0	7.1	649.2	8.6	809.3	10.4	896.8	10.4	902.1	10.2
Total External Debt	**2,269.6**	**38.2**	**2,506.3**	**32.3**	**2,731.4**	**36.3**	**3,059.1**	**39.4**	**3,585.3**	**41.6**	**3,703.8**	**41.8**
Total Public Debt	**5,946.0**	**100.0**	**7,762.6**	**100.0**	**7,528.4**	**100.0**	**7,771.3**	**100.0**	**8,628.4**	**100.0**	**8,856.1**	**100.0**

Source: Ministry of Economy and Public Finance, Central Bank
(1) Preliminary.
(2) Public Companies, Departmental and Municipal Governments

Our gross public debt (domestic and external) has fallen significantly over the last decade, benefiting from the MDRI program and fiscal surpluses. The portfolio composition of our total public debt has also changed significantly over the past decade. In 2000, our total public debt balance was composed of 20% domestic debt and 80% external debt. This substantially reversed in 2011 as domestic debt increased to 58.5% of total public debt and external debt decreased to only 41.5% of total public debt, which was primarily the result of policies implemented by the Government, various external debt relief programs, excess liquidity in the domestic financial market and increased confidence by the domestic financial market in our management of fiscal accounts.

Our credit ratings by Standard & Poor's, Moody's, and Fitch Ratings have gradually improved over the last decade. On October 20, 2003, we had a B- with negative outlook long-term foreign- and local-currency sovereign credit rating from Standard & Poor's, which increased to a B with positive outlook on May 6 2010, a B+ with stable outlook on May 19, 2011, a B+ with positive outlook on August 22, 2011 and a BB- with stable outlook on May 18, 2012. Moody's gave us a local and foreign currency government bond rating of B3 on April 16, 2003, B2 on September 28, 2009, B1 with stable outlook on December 2, 2010, B1 with positive outlook on December 12, 2011 and Ba3 with stable outlook on June 8, 2012. Our foreign and national currency Issuer Default Rating ("IDR") by Fitch Ratings on March 17, 2004, was B-, and it increased to B on September 8, 2009, B+ with stable outlook on October 5, 2010, and BB- on October 2, 2012. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Public Domestic Debt

General

Public domestic debt is owed by all public institutions to domestic sector participants of the economy and is issued or guaranteed by the General National Treasury. At the end of 2011, the balance of all public domestic debt, including guaranteed debt, was Bs.33,030.5 million or 19.9% of GDP, an increase of 3.6% as compared to Bs.31,880.1 million at the end of 2010. Directly issued public domestic debt decreased to Bs.31,528.3 million in 2011 from Bs.31,831.3 million in 2010, or 1.0%. This decrease was primarily the result of favorable economic results during the previous six years. The General National Treasury issued Bs.1,719 million in new domestic debt in 2011 while repaying Bs.2,904 million in principal. As of June 30, 2012, the balance of all public domestic debt was Bs.32,104.0 million, a decrease of 2.8% as compared to Bs.33,030.5 million as of December 31, 2012. This decrease was primarily the result of the repayment of principal.

Public Domestic Debt by Creditor Type

As of December 31, 2011, total directly issued public domestic debt owed to the financial public sector was Bs.9,787.1 million, Bs.60.3 million owed to the non-financial public sector, and Bs.21,680.9 million owed to the private sector. Directly issued public domestic debt owed to the private sector accounted for 68.8% of directly issued public domestic debt as of December 31, 2011, while directly issued public domestic debt owed to the financial public sector accounted for 31.0% and directly issued public domestic debt owed to the non-financial public sector accounted for 0.2%.

Directly issued public domestic debt with financial public sector increased by 2.8% in 2011 from Bs.9,518.3 million as of December 31, 2010, which was primarily the result of an increase in emergency credit treasury bonds issued to the Central Bank in order to address inflation, food shortages and security, natural disasters, social and productive infrastructure reconstruction, and housing rehabilitation and restoration. Because of favorable fiscal results the General National Treasury has not sought liquidity credits from the Central Bank since 2006.

Directly issued public domestic debt owed to the private sector decreased by 2.6% in 2011 from Bs.22,252.7 million as of December 31, 2010. Although we have not taken on any new debt with pension funds since 2007, our directly issued public domestic debt owed to pension funds increased by 4.2% in 2011, from Bs.12,557.7 million as of December 31, 2010 to Bs.13,081.8 million as of December 31, 2011; this increase was primarily the result of exchange rate fluctuations between the boliviano and UFVs.

Total directly issued public domestic debt contracted through the public auction of Treasury Bonds in the domestic financial market was Bs.8,599.2 million as of December 31, 2011, a decrease of 11.3% as compared to Bs.9,695.0 million as of December 31, 2010. This decrease was primarily the result of fiscal management and policies implemented by the General National Treasury in 2011.

Directly issued public domestic debt owed to the non–financial public sector was Bs.60.3 million as of December 31, 2011 and December 31, 2010.

Guaranteed public domestic debt increased substantially in 2011, from Bs.48.8 million as of December 31, 2010 to Bs.1,502.2 million as of December 31, 2011, which was primarily the result of new loans to public companies that were guaranteed by the General National Treasury.

As of June 30, 2012, total directly issued public domestic debt owed to the financial public sector was Bs.9,688.5 million, Bs.60.3 million owed to the non–financial public sector, and Bs.20,481.1 million owed to the private sector. Directly issued public domestic debt owed to the private sector accounted for 67.8% of directly issued public domestic debt as of June 30, 2012, while directly issued public domestic debt owed to the financial public sector accounted for 32.0% and directly issued public domestic debt owed to the non–financial public sector accounted for 0.2%.

Directly issued public domestic debt owed to the financial public sector decreased by 1.0% during the first six months of 2012 from Bs.9,787.1 million as of December 31, 2011. We did not take on any additional debt with the financial public sector during the first six months of 2012.

Directly issued public domestic debt owed to the private sector decreased by 5.5% during the first six months of 2012 from Bs.21,680.9 million as of December 31, 2011. Our directly issued public domestic debt owed to pension funds decreased by 3.2% during the first six months of 2012, from Bs.13,081.8 million as of December 31, 2011 to Bs.12,666.1 million as of June 30, 2012.

Total directly issued public domestic debt contracted through the public auction of Treasury Bonds in the domestic financial market was Bs.7,797.1 million as of June 30, 2012, a decrease of 9.3% as compared to Bs.8,599.2 million as of December 31, 2011.

Directly issued public domestic debt owed to the non–financial public sector was Bs.60.3 million as of June 30, 2012 and December 31, 2011.

Guaranteed public domestic debt increased by 24.8% during the first six months of 2012, from Bs.1,502.2 million as of December 31, 2011.

The following table shows our public domestic debt by instrument type as of the five years ended December 31, 2011 and at June 30, 2012:

Public Domestic Debt by Creditor and Instrument Type

	As of December 31,					As of June 30,
	2007	2008	2009	2010	2011	2012
			(*in millions of Bs.*)			
Financial Public Sector						
Central Bank						
Emergency Credit Treasury Bonds	–	1,673.5	1,775.0	2,063.6	2,355.1	2,267.9
"A" Long-Term Treasury Bills[(1)]	4,973.2	5,668.7	5,933.3	5,933.3	5,933.3	5,933.3
"B" Long-Term Treasury Bills[(2)]	1,212.2	1,381.7	1,446.2	1,446.2	1,446.2	1,446.2
Securities	7.0	8.0	8.3	8.5	9.3	9.5
Total Central Bank	6,192.4	8,731.9	9,162.8	9,451.6	9,744.0	9,657.0
Funds						
Negotiable Notes	93.3	66.8	47.7	28.4	18.7	14.1
Nonnegotiable Notes	81.2	63.4	51.3	38.2	24.4	17.4
Total Funds	174.5	130.2	98.9	66.7	43.1	31.5
Total Financial Public Sector	**6,366.9**	**8,862.1**	**9,261.8**	**9,518.3**	**9,787.1**	**9,688.5**
Non-Financial Public Sector						
Nonnegotiable Notes	20.5	78.0	60.2	60.3	60.3	60.3
Total Non-Financial Public Sector	**20.5**	**78.0**	**60.2**	**60.3**	**60.3**	**60.3**
Private Sector						
Pension Funds	11,799.1	12,147.5	12,458.9	12,557.7	13,081.8	12,666.1
Financial Market						
"C" Bonds[(3)]	5,937.5	5,950.2	7,724.0	9,626.9	8,560.4	7,776.9
Amortizable "C" Bonds	126.9	119.7	97.1	68.2	38.7	20.2
"C" Treasury Bills	44.3	–	–	–	–	–
Total Financial Market	6,108.8	6,069.8	7,821.2	9,695.0	8,599.2	7,797.1
Other Private Bonds	227.1	213.5	–	–	–	–
Over-the-Counter Bonds	–	–	–	–	–	17.9
Total Private Sector	**18,135.1**	**18,430.9**	**20,280.1**	**22,252.7**	**21,680.9**	**20,481.1**
Total Directly Issued Domestic Debt	**24,522.5**	**27,370.9**	**29,602.0**	**31,831.3**	**31,528.3**	**30,229.9**
Total Guaranteed Domestic Debt	**166.5**	**–**	**48.8**	**48.8**	**1,502.2**	**1,874.2**
Total Domestic Debt	**24,689.0**	**27,370.9**	**29,650.8**	**31,880.1**	**33,030.5**	**32,104.0**

Source: Ministry of Economy and Public Finance

(1) General National Treasury's long-term debt (100 years) owed to the Central Bank.

(2) Securities issued by the General National Treasury for the Central Bank for debt consolidation efforts prior to 1992, auction nominal value, in foreign currency revocable every 91 days.

(3) Securities issued by the General National Treasury for fiscal policy purposes through the public auction in the domestic financial market.

Directly Issued Public Domestic Debt by Creditor

As of December 31, 2011 and June 30,2012, pension funds were the largest creditor of our directly issued public domestic debt, accounting for 41.5% and 41.9% of total directly issued public domestic debt, respectively. This debt originated from the direct debt obligations issued by the General National Treasury in order to assume all the costs of the pension reform under the Pension Law enacted in 1996.

The next largest source of directly issued public domestic debt obligations arises from the General National Treasury's issuance of public securities through competitive public auction in the domestic financial market, accounting for 27.3% and 25.8% of total directly issued public domestic debt as of December 31, 2011 and June 30, 2012, respectively.

Another important creditor of directly issued public domestic debt is the Central Bank, accounting for 30.9% and 31.9% of directly issued public domestic debt as of December 31, 2011 and June 30, 2012, respectively. These directly issued public domestic debt obligations are largely composed of two types:

- *Historic debt* originating from a Supreme Decree in 1992 through which debt establishment and consolidation agreements were approved with respect to direct obligations of the General National Treasury, delinquent balances due from non-financial public sector institutions, development debt losses and Central Bank losses. This resulted in the issuance of "A" and "B" Long-Term Treasury Bills, which together accounted for 23.4% and 24.4% of total directly issued public domestic debt as of December 31, 2011 and June 30, 2012, respectively.

- *Emergency Credit Treasury Bonds* issued by the Central Bank to the public sector for the Reconstruction, Food Security and Production Support Fund, which has been used to mitigate natural disasters resulting from El Niño and La Niña phenomena beginning in 2008.

Currency Composition of Directly Issued Public Domestic Debt

Our directly issued public domestic debt consists of four types of currencies: UFVs, national currency, national currency pegged to the value of the U.S. dollar, and U.S. dollars. During the past decade, the currency composition of our directly issued public domestic debt has changed significantly, with the percentage of the total in national currency increasing from 3.2% in 2000 to 52.1% in 2011 to 54.4% as of June 30, 2012. The percentage of total directly issued public domestic debt in national currency pegged to the value of the U.S. dollar and in U.S. dollars has decreased from 96.8% in 2000 to 17.2% in 2011 and 17.0% as of June 30, 2012. This restructuring has reduced our exchange risk vulnerability and consolidated the process of bolivianization. See "The Monetary System—Monetary and Finance Sector—Deposits, Loans and Bolivianization." The percentage of total directly issued public domestic debt in UFVs, which is primarily from direct emissions to pension funds before 2007, was 30.7% in 2011 and decreased to 28.6% as of June 30, 2012.

The following table shows our directly issued public domestic debt by currency as of the five years ended December 31, 2011 and at June 30, 2012:

Directly Issued Public Domestic Debt By Type of Currency

	As of December 31,					As of June 30,
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
			(*in millions of Bs.*)			
Bolivianos	7,468.6	1,441.9	6,077.2	16,387.6	16,407.0	16,441.2
MVDOL	5,950.0	5,478.4	5,478.4	5,454.8	5,392.0	5,114.1
UFVs	9,821.0	18,175.5	17,919.6	9,922.2	9,686.2	8,643.0
U.S. Dollars	1,282.8	2,275.1	126.8	66.7	43.1	31.5
Total	**24,522.5**	**27,370.9**	**29,602.0**	**31,831.3**	**31,528.3**	**30,229.9**

Maturity of Directly Issued Public Domestic Debt

We have not issued Treasury Bills since 2006, which has decreased the percentage of our short-term (less than one year) directly issued public domestic debt from 16.0% as of December 30, 2005 to 5.2% December 30, 2007, 4.6% December 30, 2011 and only 0.05% as of June 30, 2012.

The percentage of our medium-term (with a term of between one and five years) directly issued public domestic debt has also been decreasing since 2005, from 17.2% as of December 30, 2005 to 14.0% as of December 30, 2007, 1.7% as of December 30, 2011 and 1.8% as of June 30 2012.

The percentage of our long-term (more than five years) directly issued public domestic debt, which has become increasingly important in recent years, increased from 66.8% December 30, 2005 to 80.8% December 30, 2007, 93.7% December 30, 2011 and 98.1% as of June 30, 2012. This has been the result of an increased number of long-term securities being offered, of 6-, 8-, 10-, 15-, 20- and 30-year duration, in order to increase the percentage of long-term directly issued public domestic debt and promote a more homogenous maturity profile.

The following table shows our directly issued public domestic debt by maturity as of the five years ended December 31, 2011 and at June 30, 2012:

Directly Issued Public Domestic Debt By Maturity

	As of December 31,					As of June 30,
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
			(*in millions of Bs.*)			
Short term (less than 1 year)	1,274.0	1,399.2	1,449.0	2.8	2.8	14.4
Medium term (1-5 years)	3,439.5	2,764.7	3,081.1	2,206.3	544.0	548.9
Long term (5+ years)	19,809.0	23,207.0	25,071.9	29,622.1	30,981.5	29,666.6
Total	**24,522.5**	**27,370.9**	**29,602.0**	**31,831.3**	**31,528.3**	**30,229.9**

Directly Issued Public Domestic Debt Service

Between 2000 and 2005, directly issued public domestic debt service payments gradually increased, reaching Bs.6,741 million in 2005. However, directly issued public domestic debt service payments have gradually decreased since 2006, which has been primarily the result of policies we have adopted to increase the maturity of newly issued "C" Bonds. We expect this trend to continue, which should decrease future expenses of the General National Treasury.

Total directly issued public domestic debt service in 2011 was Bs.4,408.3 million, with Bs.2,904.4 million representing principal repayment and Bs.1,504.0 million representing interest payments. Total directly issued public domestic debt service in 2010 was Bs.2,485.0 million, with Bs.1,031.5 million representing principal repayment and Bs.1,453.5 million representing interest payments. The Bs.1,923.4 million, or 77.4%, increase in debt service was primarily the result of "C" Bond principal repayment.

Of total directly issued public domestic debt service in 2011, 95.4% was directed to the private sector, of which 74.5% was specifically for principal and interest payments of "C" Bonds, and 20.9% was specifically for the principal and interest payment of debt issued directly to pension funds. Of total directly issued public domestic debt service in 2011, 4.6% was directed to the Public Financial Sector, mainly to pay obligations to the Central Bank.

Total directly issued public domestic debt service during the first six months of 2012 was Bs.2,381.3 million, with Bs.1,656.2 million representing principal repayment and Bs.725.0 million representing interest payments.

Of total directly issued public domestic debt service during the first six months of 2012, 93.8% was directed to the private sector, of which 53.2% was for principal and interest payments of "C" Bonds, and 45.8% was for principal and interest payments of debt issued directly to pension funds. Of total directly issued public domestic debt service in 2011, 6.2% was directed to the Public Financial Sector, mainly to pay obligations to the Central Bank.

The following tables shows directly issued public domestic debt service for the periods indicated:

Directly Issued Public Domestic Debt Service

	Year Ended December 31,								
	2007			**2008**			**2009**		
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
					(in millions of Bs.)				
Financial Public Sector									
Central Bank									
Emergency Credit Treasury Bonds	–	–	–	–	–	–	–	31.1	31.1
"A" and "B" Long-Term Treasury Bills	33.2	129.5	162.7	–	155.5	155.5	–	51.6	51.6
Securities	153.0	2.8	155.8	–	0.1	0.1	–	0.2	0.2
Total	186.2	132.2	318.5	–	155.6	155.6	–	82.9	82.9
Funds									
Negotiable Notes	21.3	3.8	25.1	19.6	3.8	23.4	19.1	2.8	21.9
Nonnegotiable Notes	12.1	5.4	17.6	11.9	4.4	16.3	12.1	3.5	15.7
Total	33.4	9.2	42.7	31.5	8.2	39.7	31.3	6.4	37.6
Total	**219.6**	**141.5**	**361.1**	**31.5**	**163.8**	**195.3**	**31.3**	**89.2**	**120.5**
Non-Financial Public Sector									
Nonnegotiable Notes	153.3	3.3	156.6	14.6	0.3	14.9	17.7	1.3	19.0
Total	**153.3**	**3.3**	**156.6**	**14.6**	**0.3**	**14.9**	**17.7**	**1.3**	**19.0**
Private Sector									
Pension Funds	–	743.2	743.2	–	760.2	760.2	832.0	825.4	1,657.4
Financial Market									
"C" Bonds	1,779.4	367.8	2,147.2	991.3	370.7	1,362.0	1,500.8	440.0	1,940.7
Amortizable "C" Bonds	19.9	9.8	29.7	24.0	9.4	33.4	28.0	8.3	36.3
"C" Treasury Bills	118.4	–	118.4	42.5	–	42.5	–	–	–
Total	1,917.7	377.6	2,295.4	1,057.8	380.1	1,437.9	1,528.8	448.3	1,977.1
Private Bank	–	11.8	11.8	–	12.4	12.4	213.5	3.1	216.6
Total	**1,917.7**	**1,132.7**	**3,050.4**	**1,057.8**	**1,152.6**	**2,210.5**	**2,574.3**	**1,276.7**	**3,851.0**
Total	**2,290.7**	**1,277.5**	**3,568.2**	**1,104.0**	**1,316.7**	**2,420.8**	**2,623.2**	**1,367.3**	**3,990.5**

	Year Ended December 31,						**Six Months Ended June 30,**		
	2010			**2011**			**2012**		
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
					(in millions of Bs.)				
Financial Public Sector									
Central Bank									
Emergency Credit Treasury Bonds	63.8	28.4	92.2	87.2	38.5	125.7	87.2	47.1	134.3
"A" and "B" Long-Term Treasury Bills	–	57.7	57.7	–	50.4	50.4	–	–	–
Securities	–	0.1	0.1	–	0.1	0.1	–	0.1	0.1
Total	63.8	86.3	150.1	87.2	89.1	176.3	87.2	47.2	134.5
Funds	31.9	4.8	36.7	22.9	3.2	26.1			
Negotiable Notes	19.1	2.0	21.0	9.4	1.2	10.6	4.7	0.4	5.1
Nonnegotiable Notes	12.9	2.8	15.7	13.5	2.1	15.5	7.0	0.7	7.7
Total	31.9	4.8	36.7	22.9	3.2	26.1	11.7	1.2	12.8
Total	**95.7**	**91.1**	**186.8**	**110.1**	**92.3**	**202.4**	**98.9**	**48.4**	**147.3**
Non-Financial Public Sector									
Nonnegotiable Notes	–	1.1	1.1	–	1.1	1.1	–	1.1	1.1
Total	**–**	**1.1**	**1.1**	**–**	**1.1**	**1.1**	**–**	**1.1**	**1.1**
Private Sector									
Pension Funds	–	792.4	792.4	110.9	809.0	919.9	608.8	414.5	1,023.4
Financial Market									
"C" Bonds	905.4	562.6	1,467.9	2,648.3	597.1	3,245.4	929.1	259.7	1,188.7
Amortizable "C" Bonds	30.4	6.4	36.8	35.0	4.5	39.5	19.4	1.4	20.9
Total	935.8	569.0	1,504.7	2,683.3	601.6	3,284.9	–	–	–
Private Bank	–	792.4	792.4	110.9	809.06	919.9	948.5	261.1	1,209.6
Total	**935.8**	**1,361.3**	**2,297.1**	**2,794.3**	**1,410.6**	**4,204.9**	**1,557.3**	**675.6**	**2,232.9**
Total	**1,031.5**	**1,453.5**	**2,485.0**	**2,904.4**	**1,504.0**	**4,408.3**	**1,656.2**	**725.0**	**2,381.3**

Source: Ministry of Ministry of Economy and Public Finance

Directly Issued Public Domestic Debt Issuances

During 2011, we issued a total of Bs.1,718.9 million of directly issued public domestic debt, a decrease of 44.8% as compared to Bs.3,112.1 million in 2010, which was primarily due to a new restrictive public debt policy. Our new policy has not only resulted in a decrease in total directly issued public domestic debt issuances, but has also resulted in those issuances being done at a lower financial cost.

In 2011, we issued a total of Bs.1,340.1 million in "C" Bonds, which represented 78.0% of total directly issued public domestic debt issued in 2011. The only other directly issued public domestic debt we issued in 2011 was Bs.378.8 million in Emergency Credit Treasury Bonds to the Central Bank, which represented 22.0% of total directly issued public domestic debt in 2011. No Treasury Bills were issued to pension funds in 2011, nor were liquidity credits, which are short-term credits granted by the Central Bank to the General National Treasury to finance seasonal deficits in order to address emergency financing needs, contracted with the Central Bank.

During the first six months of 2012, we issued a total of Bs.122.9 million of directly issued public domestic debt, Bs.105.0 million in "C" Bonds and Bs.17.9 million in new over-the-counter bonds. These new over-the-counter bonds are part of a new program instituted by the National General Treasury in 2012, which is designed to provide small investors better interest rates, open up a new mechanism through which the Government can redistribute income and encourage financial institutions to raise interest rates offered to depositors.

The following table shows directly issued public domestic debt issuances as of the five years ended December 31, 2011 and at June 30, 2012:

Directly Issued Public Domestic Debt Issuances

	Year Ended December 31,					Six Months Ended June 30,
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
			(*in millions of Bs.*)			
Financial Public Sector						
Central Bank						
Emergency Credit Treasury Bonds	–	1,705.3	69.7	352.4	378.8	–
Liquidity Credits	–	–	–	–	–	–
Securities	6.8	–	–	–	–	–
Total Central Bank	6.8	1,705.3	69.7	352.4	378.8	–
Total Financial Public Sector	**6.8**	**1,705.3**	**69.7**	**352.4**	**378.8**	**–**
Non-Financial Public Sector						
Nonnegotiable Notes	14.7	72.1	–	–	–	–
Total Non-Financial Public Sector	**14.7**	**72.1**	**–**	**–**	**–**	**–**
Private Sector						
Pension Funds	740.9	–	832.0	–	–	–
Financial Market						
"C" Bonds	1,245.8	521.6	3,080.9	2,759.7	1,340.1	105.0
Amortizable "C" Bonds	–	–	–	–	–	–
"C" Treasury Bills	46.1	–	–	–	–	–
Total Financial Market	1,291.9	521.6	3,080.9	2,759.7	1,340.1	105.0
Over-the-Counter Bonds	–	–	–	–	–	17.9
Total Private Sector	**2,032.8**	**521.6**	**3,912.9**	**2,759.7**	**1,340.1**	**122.9**
Total Issuance	**2,054.2**	**2,298.9**	**3,982.6**	**3,112.1**	**1,718.9**	**122.9**

Source: Ministry of Economy and Public Finance

Interest Rates on "C" Bonds

As a result of our management of the General National Treasury's fiscal accounts, we did not issue as many "C" Bonds as we had originally planned for in 2011. Instead, we only issued "C" Bonds when the market offered substantially better pricing and only with a 30-year maturity in national currency. In 2011, the last "C" Bonds issuance occurred on July 13, with an interest rate of 2.52% and a 30-year maturity. During the first six months of 2012, we issued two series of "C" Bonds on March 12, 2012, one with an interest rate of 2.2% and a 20-year maturity, the other with an interest rate of 2.4% and a 30-year maturity.

Guaranteed Public Domestic Debt

Guaranteed public domestic debt increased substantially in 2011, from Bs.48.8 million as of December 31, 2010 to Bs.1,502.2 million as of December 31, 2011. This was primarily the result of new loans to public companies that were guaranteed by the General National Treasury, as authorized by the Government's 2011 budget, for large productive projects to improve the production and industrialization of goods and services in the strategic sectors. These guaranteed loans mature between 20 and 30 years and have interest rates ranging between 0.80% and 1.40%. ENDE was the primary beneficiary of guaranteed loan disbursements in 2011, receiving Bs.1,292.1 million in disbursements, followed by COMIBOL, which received Bs.162.0 million in disbursements.

This upward trend in guaranteed public domestic debt continued during the first six months of 2012, with guaranteed public domestic debt reaching Bs.1,874.2 million as of June 30, 2012. New guaranteed loan disbursements primarily benefited ENDE and the sugar company Empresa Azucarera San Buenaventura during the first six months of 2012.

Public External Debt

General

Our total public external debt due as of December 31, 2011 was U.S.$3,585.3 million, an increase of 17.2% as compared to U.S.$3,059.1 million as of December 31, 2010. Our medium- and long-term public external debt, which accounted for 97.4% of our total public external debt as of December 31, 2011, was U.S.$3,493.5 million as of December 31, 2011, an increase of 20.8% as compared to U.S.$2,892.3 million as of December 31, 2010, and our short-term public external debt, which accounted for 2.6% of our total public external debt as of December 31, 2011, was U.S.$91.8 million as of December 31, 2011, a decrease of 45.0% as compared to U.S.$166.8 million as of December 31, 2010. Medium- and long-term public external debt disbursements in 2011 totaled U.S.$777.6 million in 2011, an increase of 41.8% as compared to U.S.$548.4 million in 2010. We had no guaranteed public external debt as of December 31, 2011.

Our total public external debt due as of June 30, 2012 was U.S.$3,703.8 million, an increase of 3.3% as compared to December 31, 2011. Our medium- and long-term public external debt, which accounted for 97.7% of our total public external debt as of June 30, 2012, was U.S.$3,620.4 million as of June 30, 2012, an increase of 3.6% as compared to December 31, 2011, and our short-term public external debt, which accounted for 2.3% of our total public external debt as of June 30, 2012, was U.S.$83.4 million as of June 30, 2012, a decrease of 9.15% as compared to December 31, 2011. We had no guaranteed public external debt as of June 30, 2012.

CAF has made the largest yearly disbursements since 2001, with a total of U.S.$241.2 million disbursed in 2011, followed by the IDB, with a total of U.S.$176.9 million in 2011. As of December 31, 2011, our other multilateral creditors were the World Bank, the International Fund for Agricultural Development ("IFAD"), the Nordic Development Fund ("NDF"), the Fondo Financiero para el Desarrollo de la Cuenca del Plata ("FONPLATA"), and the Organization of the Petroleum Exporting Countries ("OPEC"). The IMF has not been a multilateral creditor since 2007 and we no longer have Special Drawing Rights. In addition, the United States of America, the United Kingdom and Belgium have not been bilateral creditors since 2002 and Japan has not been a bilateral creditor since 2006.

We have not had any public external private debt since 2006. During the 1970s, our public external private debt increased substantially from U.S.$10 million, or 1.8% of our total public external debt, in 1970 to U.S.$824 million, or 36% of our total public external debt, in 1980. This increase in public external private debt was also accompanied by a tremendous increase in interest rates. As a result, we needed to restructure our public external private debt so that we could honor our obligations and the Government began to repurchase our public external private debt in 1988. Thereafter, our public external private debt gradually decreased until it was eliminated in 2006.

Beginning in 1988, we restructured a total of U.S.$479.3 million of our public external private debt, which represented 69.1% of our public external private debt. This restructuring was done through a cash repurchase of U.S.$253.2 million, donations totaling U.S.$15.8 million and an exchange for investment bonds totaling U.S.$200 million. As of December 31, 1991, our public external private debt had fallen to U.S.$263 million. In 1993, the Board of Executive Directors of the IDB reached an agreement with representatives of 42 commercial banks for the cancellation of nearly all of our remaining public external private debt.

The following table shows the balance of our public external debt as of December 31, 2011:

Public External Debt

	Balance as of December 31, 2010	Disbursements	Principal Repayment	Exchange Rate Changes	Balance as of December 31, 2011
			(*in millions of U.S.$*)		
Short-term Debt	166.8	351.6	426.6	–	91.8
Medium- and Long-Term Debt					
Multilateral	2,287.9	485.9	148.7	(4.3)	2,620.8
Bilateral	604.4	291.8	25.6	2.1	872.7
Total	2,892.3	777.6	174.3	(2.2)	3,493.5
Total Public External Debt	**3,059.1**	**1,129.3**	**600.9**	**(2.2)**	**3,585.3**

Source: Central Bank

The following table shows the balance of our public external debt as of June 30, 2012:

Public External Debt

	Balance as of December 31, 2011	Disbursements	Principal Repayment	Exchange Rate Changes	Balance as of June 30, 2012
			(*in millions of U.S.$*)		
Short-term Debt	91.8	214.6	223.0	–	83.4
Medium- and Long-Term Debt					
Multilateral	2,620.8	164.6	76.2	(8.2)	2,700.9
Bilateral	872.7	65.0	14.5	(3.7)	919.5
Total	3,493.5	229.6	90.7	(12.0)	3,620.4
Total Public External Debt	**3,585.3**	**444.3**	**313.7**	**(12.0)**	**3,703.8**

Source: Central Bank

Short-Term Public External Debt

Our short-term public external debt is exclusively for YPFB's diesel imports from Petróleos de Venezuela ("PDVSA"). In 2011, disbursements totaled U.S.$351.6 million and payments totaled U.S.$473.4 million (U.S.$426.6 million in principal and U.S.$46.8 million in interest). All obligations are paid within 90 days. During the first six months of 2012, disbursements totaled U.S.$214.6 million and payments totaled U.S.$233.7 million (U.S.$223.0 million in principal and U.S.$10.7 million in interest).

We import diesel fuel from PDVSA in accordance with the Caracas Energy Cooperation Agreement that we signed with Venezuela on January 23, 2006. This agreement provides that Venezuela will provide us with up to 200 thousand barrels per month of crude oil, refined products and liquefied petroleum gas, or their energy equivalent, but is subject to adjustments based on our purchases, Venezuelan supply, actions taken by OPEC, and any other circumstance that may obligate Venezuela to change this limit. The agreement also establishes that payments for diesel are divided into short-term and long-term debt obligations. Short-term debt obligations account for 75% of the total cost of diesel, with a maturity period of 90 days. Long-term debt obligations account for the remaining 25% and have a maturity period of 15 years with a 2-year grace period, for a total of 17 years.

Medium- and Long-Term Public External Debt

Evolution of Medium- and Long-Term Public External Debt

As of December 31, 2011, our medium- and long-term public external debt was U.S.$3,493.5 million, an increase of 20.8% as compared to U.S.$2,892.3 million as of December 31, 2010. In the past 12 years, medium- and long-term public external debt reached its lowest level in 2007, at U.S.$2,208.5 million, and has been rising since 2007. In the first six months of 2012, our medium- and long-term external debt was U.S.$3,620.4 million, an increase of 3.6% as of December 31, 2011.

Structure of Medium- and Long-Term Public External Debt by Creditor

The structure of our medium- and long-term public external debt as of December 31, 2011 shows a high participation by multilateral agencies, accounting for 75.0% and 74.6% of our medium- and long-term public external debt as of December 31, 2011 and June 30, 2012, respectively. CAF was our main creditor as of both December 31, 2011 and June 30, 2012, with 37.7% and 38.3%, respectively, of our medium- and long-term public external debt, followed by the IDB, with 21.9% and 21.0%, respectively, and the World Bank, with 11.3% and 11.2%, respectively. These three major external creditors accounted for 70.8% and 70.5% of our medium- and long-term public external debt as of December 31, 2011 and June 30, 2012, respectively. Bilateral creditors accounted for 25.0% and 25.4% of our medium- and long-term public external debt as of December 31, 2011 and June 30, 2012, respectively. Our primary bilateral creditors as of December 31, 2011 and June 30, 2012 were Venezuela, with 12.0% and 11.6% of our medium- and long-term public external debt, respectively, followed by Brazil, with 4.9% and 4.6%, respectively, and China, with 4.9% and 6.3%, respectively.

The following table shows the structure of our medium- and long-term public external debt by creditor as of the five years ended December 31, 2011 and at June 30, 2012:

Structure of Medium- and Long-Term Public External Debt by Creditor

	As of December 31,					As of June 30,
	2007	2008	2009	2010	2011	2012
			(*in millions of U.S.$*)			
Multilateral						
CAF	856.1	947.0	1,020.0	1,168.5	1,316.6	1,385.3
IDB	459.3	460.9	519.4	629.4	764.2	761.7
World Bank	261.2	280.1	315.2	355.1	393.9	407.1
FONPLATA	29.9	28.3	32.7	30.1	36.2	38.4
IFAD	44.9	44.9	46.5	45.9	46.7	47.0
NDF	36.7	36.6	37.2	37.0	40.5	39.2
OPEC	21.1	22.2	22.1	21.8	22.8	22.1
Total Multilateral	**1,709.3**	**1,819.9**	**1,993.3**	**2,287.9**	**2,620.8**	**2,700.9**
Bilateral						
Argentina	–	–	7.0	7.0	6.3	5.9
Brazil	126.7	114.0	101.4	95.0	172.0	165.7
China	75.4	79.5	79.5	82.2	170.8	226.7
France	12.5	10.6	9.1	10.0	8.8	7.9
Germany	51.3	56.5	58.4	54.7	54.1	52.0
Italy	11.6	9.9	8.9	7.1	5.9	5.2
South Korea	17.8	17.2	20.4	20.9	20.1	19.5
Spain	119.7	106.5	19.3	16.4	16.2	15.7
Venezuela	84.3	229.5	305.0	311.1	418.5	420.9
Total Bilateral	**499.2**	**623.8**	**609.0**	**604.4**	**872.7**	**919.5**
Total	**2,208.5**	**2,443.8**	**2,602.3**	**2,892.3**	**3,493.5**	**3,620.4**

Source: Central Bank

The following table shows our medium- and long-term public external debt as of June 30, 2012:

Medium- and Long-Term Public External Debt

Creditor	Interest Rate Type	Currency	Date Issued	Maturity	Balance as of June 30, 2012
					(in millions of U.S.$)
Multilateral					
CAF	Variable	U.S.$	2001-2006	2013-2024	455.8
	Variable	U.S.$	2007	2025	252.5
	Variable	U.S.$	2008	2023-2026	324.7
	Variable	U.S.$	2009	2021-2027	147.2
	Variable	U.S.$	2010	2028	116.2
	Variable	U.S.$	2011	2027-2029	88.9
					1,385.3
IDB	Fixed	Euros, JPY, U.S.$, SEK, CAD, BID	1971-2006	2012-2046	471.7
	Fixed	U.S.$	2007	2047	52.7
	Fixed, Variable	U.S.$	2008	2037-2048	51.6
	Fixed, Variable	U.S.$	2009	2039-2049	55.0
	Fixed, Variable	U.S.$	2010	2012-2050	60.7
	Fixed, Variable	U.S.$	2011	2041-2051	69.9
					761.7
World Bank	Fixed, Variable	SDR, U.S.$	1994-2006	2023-2041	306.1
	Fixed	SDR	2007	2041	29.3
	Fixed	SDR	2008	2042-2043	43.8
	Fixed	SDR	2009	2044	20.6
	Fixed	SDR	2011	2030-2036	7.4
	Fixed, Variable	SDR, U.S.$	1994-2006	2023-2041	306.1
	Fixed	SDR	2007	2041	29.3
					407.1
FONPLATA	Fixed, Variable	U.S.$	1989-2004	2012-2019	38.4
IFAD	Fixed	SDR	1985-2001	2033-2040	41.5
	Fixed	SDR	2007	2046	4.5
	Fixed	SDR	2011	2049	1.0
					47.0
NDF	Fixed	Euros, SDR	1991-2002	2015-2042	39.2
OPEC	Fixed	U.S.$	1988-2006	2017-2029	20.3
	Fixed	U.S.$	2009	2029	1.2
	Fixed	U.S.$	2010	2029	0.6
					22.1
Total Multilateral					**2,700.9**

(table continued)

Creditor	Interest Rate Type	Currency	Date Issued	Maturity	Balance as of June 30, 2012
Bilateral					
Argentina	Fixed	U.S.$	2008	2018	5.9
Brazil	Variable	U.S.$	2001–2004	2017	69.7
	Fixed	U.S.$	2007	2029	29.6
	Fixed	U.S.$	2011	2026	66.4
					165.7
China	Fixed, Exempt	RMB	2001–2005	2021–2025	40.9
	Fixed	RMB	2007	2028	44.0
	Fixed, Variable	U.S.$, RMB	2010	2030–2031	125.6
	Fixed	RMB	2011	2031	16.2
					226.7
France	Fixed	Euros	1992–1998	2012–2026	7.9
Germany	Fixed	Euros	2002–2006	2032–2046	52.0
Italy	Fixed	Euros	1996	2017	5.1
	Fixed	Euros	2010	2040	–
					5.2
South Korea	Fixed	KRW	2001	2031	19.5
Spain	Fixed, Exempt	U.S.$, Euros	2003–2004	2023–2034	15.7
Venezuela	Fixed	U.S.$	2004–2006	2021–2024	27.5
	Fixed	U.S.$	2007	2024–2025	33.1
	Fixed	U.S.$	2008	2023–2027	105.3
	Fixed	U.S.$	2009	2026–2030	76.7
	Fixed	U.S.$	2010	2027	60.5
	Fixed	U.S.$	2011	2028–2029	117.7
					420.9
Total Bilateral					**919.5**
Total					**3,620.4**

Source: Central Bank
BID refers to a money basket composed of euros, Japanese yen and Swiss francs; CAD refers to Canadian dollars; JPY refers to Japanese yen; KRW refers to South Korean won; RMB refers to Chinese renminbi; SDR refers to Special Drawing Rights; and SEK refers to Swedish krona.

Maturity and Credit Terms of Medium- and Long-Term Public External Debt

As of December 31, 2011, 69.0% of our medium- and long-term public external debt had maturity terms of between 11 and 30 years, while 30.0% had maturity terms of more than 30 years. As of June 30, 2012, 69.3% of our medium- and long-term public external debt had maturity terms of between 11 and 30 years, while 29.5% had maturity terms of more than 30 years.

The following table shows the maturity structure of our medium- and long-term public external debt as of December 31, 2011 and at June 30, 2012:

Maturity Structure of Medium- and Long-Term Public External Debt

	As of December 31, 2011		As of June 30, 2012	
Maturity	**Balance** (*in millions of U.S.$*)	**Percent of Total Balance**	**Balance** (*in millions of U.S.$*)	**Percent of Total Balance**
0 to 10 years	34.7	1.0	42.6	1.2
11 to 30 years	2,410.6	69.0	2,509.1	69.3
More than 30 years	1,048.2	30.0	1,068.8	29.5
Total	**3,493.5**	**100.0**	**3,620.4**	**100.0**

Source: Central Bank

The credit terms of our medium- and long-term public external debt as of December 31, 2011 consisted of 34.8% concessional loans and 65.2% non-concessional (i.e., commercial) loans. In the economic sector, the most important loans as of December 31, 2011 were transportation loans, which totaled U.S.$1,399 million, followed by multi-sector loans, which totaled U.S.$570.1 million, hydrocarbon loans, which totaled U.S.$427.2 million, agricultural loans, which totaled U.S.$188.6 million, and basic sanitation loans, which totaled U.S.$166.6 million. The credit terms of our medium- and long-term public external debt as of June 30, 2012 consisted of 36.1% concessional loans and 63.9% non concessional loans.

The following table shows the structure of our medium- and long-term public external debt by credit terms as of December 31, 2011 and at June 30, 2012:

Structure of Medium- and Long-Term Public External Debt by Credit Terms

	As of December 31, 2011			As of June 30, 2012		
Terms	**Balance** (*in millions of U.S.$*)	**Percent of Group Balance**	**Percent of Total Balance**	**Balance** (*in millions of U.S.$*)	**Percent of Group Balance**	**Percent of Total Balance**
Concession						
Multilateral	939.6	77.3	26.9	1,060.7	81.2	29.3
Bilateral	275.9	22.7	7.9	245.5	18.8	6.8
Total	**1,215.5**	**100.0**	**34.8**	**1,306.2**	**100.0**	**36.1**
Non-Concession						
Multilateral	1,681.2	73.8	48.1	1,640.2	70.9	45.3
Bilateral	596.8	26.2	17.1	674.0	29.1	18.6
Total	**2,278.0**	**100.0**	**65.2**	**2,314.2**	**100.0**	**63.9**
Total	**3,493.5**		**100.0**	**3,620.4**		**100.0**

Source: Central Bank

Currency Composition of Medium- and Long-Term Public External Debt

Our medium- and long-term public external debt obligations are contracted in U.S. dollars, Japanese yen, euros, British pound sterling and other currencies, including currency baskets supplied by international bodies such as the IDB's Unit Account Value. As of December 31, 2011, 84.2% of our medium- and long-term public external debt was due in U.S. dollars and 8.0% in euros. As of June 30, 2012, 84.6% of our medium- and long-term public external debt was due in U.S. dollars and 7.9% in euros.

The following table shows the currency composition of our medium- and long-term public external debt as of December 31, 2011 and at June 30, 2012:

Currency Composition of Medium- and Long-Term Public External Debt

	As of December 31, 2011				As of June 30, 2012			
	Total	**U.S.$ Equivalent**	**Exchange Rate to U.S.$**	**Percent of Total**	**Total**	**U.S.$ Equivalent**	**Exchange Rate to U.S.$**	**Percent of Total**
	(in millions except percentages and exchange rates)							
U.S. Dollars	2,944.3	2,944.3	1.0	84.2	3,062.96	3,062.9	1.0	84.6
Euros	216.7	280.5	0.8	8.0	220.4	286.7	0.8	7.9
Japanese Yen	5,005.8	64.5	77.6	1.8	4,976.0	62.6	79.5	1.7
British Pound Sterling	33.3	51.4	0.6	1.5	33.1	51.4	0.6	1.4
Other	n.a.	152.8	n.a.	4.4	n.a.	156.8	n.a.	4.3
Total		**3,485.9**		**100.0**		**3,620.4**		**100.0**

Source: Central Bank

Medium- and Long-Term Public External Debt Disbursements

Disbursements in 2011 totaled U.S.$777.6 million, of which 63.0% originated from multilateral funding sources and 37.0% from bilateral sources. Disbursements from CAF increased from U.S.$229.9 million in 2010 to U.S.$241.2 million in 2011, disbursements from the IDB increased from U.S.$158.6 million in 2010 to U.S.$176.9 million in 2011, disbursements from Venezuela increased from U.S.$96.3 million in 2010 to U.S.$116.4 million in 2011, and disbursements from Brazil increased from U.S.$6.3 million in 2010 to U.S.$89.7 million in 2011. There were also U.S.$84.4 million in disbursements from China in 2011.

With respect the use of the borrowings in 2011, U.S.$314.4 million went to the transportation sector, U.S.$116.4 million went to the hydrocarbons sector, U.S.$59.9 million went to basic sanitation, and U.S.$53.9 million went to multi-sector loans. Specifically, the Bolivian Highway Administrator received U.S.$276.5 million, or 35.6% of total disbursements, YPFB received U.S.$116.4 million, or 15.0% of total disbursements, the Ministry of Economy and Public Finance received U.S.$65.3 million, or 8.4% of total disbursements, and the Ministry of Environment and Water received U.S.$60.0 million, or 7.7% of total disbursements.

Disbursements during the first six months of 2012 totaled U.S.$229.6 million, of which 71.7% originated from multilateral funding sources and 28.3% from bilateral sources. Disbursements from CAF were U.S.$122.9 million during the first six months of 2012, from the World Bank were U.S.$20.1 million, from IDB were U.S.$13.6 million, from China were U.S.$57.1 million and from Venezuela were U.S.$7.8 million.

Medium- and Long-Term Public External Debt Service

Our medium- and long-term public external debt service in 2011 was U.S.$231.8 million, a decrease of 23.2% as compared to U.S.$301.9 million in 2010, representing U.S.$174.3 million in principal repayment and U.S.$57.5 million in interest and fees. With respect to multilateral creditors, U.S.$117.9 million was paid to CAF and U.S.$54.2 million to the IDB in 2011, which together represented 74.3% of our medium- and long-term public external debt service in 2011. With respect to bilateral creditors, U.S.$18.1 million was paid to Brazil and U.S.$12.5 million to Venezuela in 2011, which together represented 13.2% of our medium- and long-term public external debt service in 2011.

Our medium- and long-term public external debt service during the first six months of 2012 totaled U.S.$122.9 million, representing U.S.$90.7 million in principal repayment and U.S.$32.2 million in interest and fees. With respect to multilateral creditors, U.S.$68.3 million was paid to CAF and U.S.$22.1 million to the IDB during the first six months of 2012, which together represented 73.6% of our medium- and long-term public external debt service during the first six months of 2012. With respect to bilateral creditors, U.S.$8.5 million was paid to Brazil and U.S.$7.3 million to Venezuela during the first six months of 2012, which together represented 12.9% of our medium- and long-term public external debt service during the first six months of 2012.

The following table shows our medium- and long-term public external debt service for the periods indicated:

Medium- and Long-Term Public External Debt Service

	Year Ended December 31,					Six Months Ended June 30,
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
			(*in millions of U.S.$*)			
Multilateral						
CAF	206.6	151.2	105.5	105.8	117.9	68.3
IDB	61.6	64.2	59.3	59.3	54.2	22.1
World Bank	2.2	2.8	3.7	4.5	5.5	3.0
FONPLATA	5.4	5.4	5.4	6.9	7.4	4.8
IFAD	2.7	2.8	2.6	2.8	2.3	1.1
NDF	0.8	1.0	0.9	1.1	1.2	0.5
OPEC	1.7	2.0	2.0	2.0	2.4	1.2
Total Multilateral	**281.0**	**229.4**	**179.4**	**182.4**	**190.9**	**101.0**
Bilateral						
Argentina	–	–	0.1	0.2	0.9	0.5
Brazil	22.0	19.8	17.9	15.0	18.1	8.6
China	2.8	2.1	1.6	1.6	5.1	2.8
France	2.4	2.2	1.9	1.3	1.4	0.7
Germany	0.4	0.4	0.5	0.4	0.5	0.3
Italy	0.8	1.4	1.2	1.2	1.3	0.6
South Korea	0.3	0.4	0.4	0.5	1.0	0.8
Spain	3.5	4.1	2.1	2.5	0.1	0.3
Venezuela	0.1	1.0	17.6	96.8	12.5	7.3
Total Bilateral	**32.2**	**31.4**	**43.3**	**119.5**	**40.9**	**21.9**
Total	**328.3**	**260.7**	**222.8**	**301.9**	**231.8**	**122.9**

Source: Central Bank

Average Medium- and Long-Term Public External Debt Interest Rate

With an average balance of U.S.$3,189.1 million and interest expenses of U.S.$46.3 million in 2011, the financial cost of our medium- and long-term public external debt was 1.45% in 2011. With an average balance of U.S.$3,556.9 million and interest expenses of U.S.$29.1 million during the first six months of 2012, the financial cost of our medium- and long term public external debt was 1.64% during the first six months of 2012.

As of June 30, 2012, 52.0% of our medium- and long-term public external debt had fixed interest rates, 47.7% had variable interest rates and the remaining 0.3% was interest free.

The following table shows the average interest rate of our medium- and long-term public external debt by creditor for the periods indicated:

Average Interest Rate of Medium- and Long-Term Public External Debt by Creditor

z	**Year Ended December 31, 2011**			**Six Months Ended June 30, 2012**		
	Average Balance (*in millions of U.S.$*)	**Interest Paid** (*in millions of U.S.$*)	**Average Interest Rate** (*%*)	**Average Balance** (*in millions of U.S.$*)	**Interest Paid** (*in millions of U.S.$*)	**Average Interest Rate** (*%*)
Multilateral						
CAF	1,242.5	22.9	1.84	1,350.9	13.1	1.94
IDB	696.8	10.6	1.52	762.9	6.8	1.78
World Bank	374.5	2.8	0.75	400.5	1.5	0.75
FONPLATA	33.2	1.3	3.92	37.3	0.8	4.29
IFAD	46.3	0.4	0.86	46.9	0.2	0.85
NDF	38.8	0.3	0.77	39.9	0.1	0.50
OPEC	22.3	0.6	2.69	22.5	,0.3	2.67
Total	**2,454.3**	**38.9**	**1.58**	**2,660.9**	**22.8**	**1.71**
Bilateral						
Argentina	6.7	0.2	3.01	6.1	0.1	3.28
Brazil	133.5	0.7	0.52	168.9	1.6	1.89
China	126.5	1.7	1.36	198.7	2.1	2.11
France	9.4	0.1	1.06	8.4	–	0.24
Germany	54.4	0.4	0.74	53.1	0.2	0.75
Italy	6.5	0.1	1.54	5.5	–	0.36
South Korea	20.5	0.5	2.44	19.8	0.3	0.30
Spain	16.3	0.1	0.61	15.9	–	0.25
Venezuela	364.8	3.5	0.97	419.7	2.0	0.95
Total	**738.6**	**7.4**	**1.00**	**896.1**	**6.3**	**1.42**
Total	**3,192.8**	**46.3**	**1.45**	**3,556.9**	**29.1**	**1.64**

Source: Central Bank

Medium- and Long-Term Public External Debt Indicators

As a result of a significant decrease in the medium- and long-term external debt balance and the growth of GDP, exports and reserves, our medium- and long-term external debt ratios have improved steadily since 2006. With regard to the sustainability of debt, the most important ratios we consider are our medium- and long-term external debt service-to-exports ratio, our balance of medium- and long-term external debt-to-exports ratio, and our balance of medium- and long-term external debt to GDP ratio. As of December 31, 2011, our medium- and long-term external debt service-to-exports ratio was 2.5, a decrease from 4.2 as of December 31, 2010, our balance of medium- and long-term external debt-to-exports ratio was 38.3, a decrease from 40.4 as of December 31, 2010, and our balance of medium- and long-term external debt to GDP ratio was 14.5, a decrease from 14.6 as of December 31, 2010.

As of June 30, 2012, our medium- and long-term external debt service-to-exports ratio was 1.2, a decrease from 2.5 as of December 31, 2011, our balance of medium- and long-term external debt-to-exports ratio was 35.9, a decrease from 38.3 as of December 31, 2011, and our balance of medium- and long-term external debt to GDP ratio was 13.5, a decrease from 14.5 as of December 31, 2011.

Our net international reserves to public external debt ratio has remained relatively steady since 2008, when it increased from 2.4 as of December 31, 2007 to 3.2 as of December 31, 2008. Our net international reserves to public external debt ratio then increased to 3.3 as of December 31, 2009 and to

3.4 as of December 31, 2010. Our net international reserves to public external debt ratio remained at 3.4 as of December 31, 2011 and at June 30, 2012.

The following table shows medium- and long-term external debt indicators as of the five years ended December 31, 2011 and at June 30, 2012:

Medium- and Long-Term Public External Debt Indicators

	As of December 31,					As of June 30,
	2007	**2008**	**2009**	**2010[(1)]**	**2011[(1)]**	**2012[(1)]**
Medium- and Long-Term Public External Debt Service/Exports	6.6	3.7	4.1	4.2	2.5	1.2
Medium- and Long-Term Public External Debt/Exports	44.1	34.8	47.5	40.4	38.3	35.9
Medium- and Long-Term Public External Debt/GDP	16.7	14.6	14.9	14.6	14.5	13.5
Medium- and Long-Term Public External Debt Service/GDP	2.5	1.6	1.3	1.5	1.0	0.5
Gross Reserves/ Medium- and Long-Term Public External Debt Service	16.2	29.6	38.5	32.2	51.9	101.2
Net International Reserves/ Medium- and Long-Term Public External Debt	2.4	3.2	3.3	3.4	3.4	3.4

Source: Central Bank
(1) Preliminary.

DESCRIPTION OF THE NOTES

Bolivia will issue the Notes under an indenture (the "Indenture"), dated as of October 29, 2012, between Bolivia, The Bank of New York Mellon as trustee (the "Trustee"), principal paying agent (the "Principal Paying Agent"), transfer agent ("Transfer Agent") and registrar (the "Registrar"), and The Bank of New York Mellon (Luxemburg) S.A. as Luxembourg paying agent (the "Luxembourg Paying Agent" and together with the Principal Paying Agent the "Paying Agents"), Luxembourg transfer agent (the "Luxembourg Transfer Agent" and together with the Transfer Agent the "Transfer Agents") and Luxembourg listing agent (the "Luxembourg Listing Agent"). The information contained in this section summarizes some of the terms of the Notes and the Indenture. For a more complete description, you should read the Indenture and the form of the Notes before making your investment decision. Bolivia has filed or will file copies of these documents at the offices of the Trustee and the Paying Agents and you may obtain a copy of such documents by contacting the Trustee and the Paying Agents at the addresses indicated in this Offering Memorandum.

General Terms of the Notes

The Notes will:

- be issued on October 29, 2012, in an initial aggregate principal amount of U.S.$500,000,000;
- mature at par on October 29, 2022;
- bear interest at 4.875% per year, accruing from October 29, 2012;
- pay interest in U.S. dollars on April 29 and April 29 of each year. The first interest payment will be made on April 29, 2013. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months;
- pay interest to persons in whose names the Notes are registered at the close of business on April 15 or October 15, as the case may be, preceding each payment date;
- constitute direct, general, unconditional, unsecured and unsubordinated external indebtedness of Bolivia backed by the full faith and credit of Bolivia as authorized by Article 10 of Law No. 211 (*Ley del Presupuesto General del Estado—Gestión 2012*) dated December 23, 2011 pursuant to Subparagraphs 8 and 10 of Paragraph 1 of Article 158 of the Bolivian Political Constitution in relation to Article 322 of the Bolivian Political Constitution.
- be equal in right of payment with all of Bolivia's present and future unsecured and unsubordinated Public External Indebtedness (as defined below);
- be represented by one or more global securities in fully registered form only, without coupons;
- be registered in the name of a nominee of The Depository Trust Company ("DTC"), and recorded on, and transferred through, the records maintained by DTC and its participants, including the depositaries for Euroclear Bank S.A./N.V., as operator of the Euroclear System plc ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream");
- be available in certificated form only under certain limited circumstances;

- be redeemable at the option of Bolivia before maturity (see "—Optional Redemption"); and
- not be entitled to the benefit of any sinking fund.

Form and Denomination

Bolivia will issue the Notes:

- denominated in U.S. dollars;
- in fully registered book-entry form;
- without coupons; and
- in denominations of U.S.$200,000 and integral multiples of U.S.$1,000.

Payment of Principal and Interest

Payments of principal of and interest on the Notes represented by global securities will be made by wire transfer of U.S. dollars in immediately available funds to DTC or to its nominee as the registered holder of the Notes, which will receive the funds for distribution to the owners of beneficial interests in the Notes. Bolivia has been informed by DTC that the owners will be paid in accordance with the procedures of DTC and its participants. Neither Bolivia nor the Paying Agent shall have any responsibility or liability for any of the records of, or payments made by, DTC or its nominee.

If the Notes are issued in certificated form ("Certificated Notes"), Bolivia will make its interest and principal payments to you, if you are the person in whose name the certificated Notes are registered, by wire transfer if:

- you own at least U.S.$1,000,000 aggregate principal amount of the Notes; and
- not less than 15 days before the payment date, you notify the Trustee or any Paying Agent of your election to receive payment by wire transfer and provide it with your bank account information and wire transfer instructions;

or

- Bolivia is making such payments at maturity; and
- you surrender the certificated Notes at the corporate trust office of the Trustee or at the offices of one of the other Paying Agents that Bolivia appoints pursuant to the Indenture.

If Bolivia does not pay interest by wire transfer for any reason, it will, subject to applicable laws and regulations, mail a check on or before the due date for the payment. The check will be mailed to you at your address as it appears on the security register maintained by the Trustee on the applicable record date. If you hold your Notes through DTC, the check will be mailed to DTC, as the registered owner.

If any date for an interest or principal payment is a day on which the law (or an executive order) at the place of payment permits or requires banking institutions to close, Bolivia will make the payment on the next following banking day at such place. Bolivia will treat those payments as if they were made on the due date, and no interest on the Notes will accrue as a result of the delay in payment.

To the extent permitted by law, claims against Bolivia for the payment of principal, interest or other amounts will become void unless made within six years after the date on which the payment first became due.

Paying Agents, Transfer Agents, Registrar and Listing Agent

Until all of the Notes are paid, Bolivia will maintain a paying agent in The City of New York. Bolivia has appointed the Trustee to initially serve as its Principal Paying Agent, Transfer Agent and Registrar for the Notes.

Bolivia has applied to admit the Notes for listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. In addition, Bolivia will maintain a paying agent, a transfer agent and a listing agent in Luxembourg where the Notes can be presented for transfer or exchange for so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require. Bolivia has initially appointed The Bank of New York Mellon (Luxembourg) S.A. to serve as the Luxembourg Paying Agent, Transfer Agent and Listing Agent.

You can contact the Paying Agents and Transfer Agents at the addresses listed on the inside back cover of this Offering Memorandum.

Trustee

The Indenture provides that during the existence of a default under the Notes or the Indenture, the Trustee will exercise the rights and powers vested in it by the Indenture, using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. In the absence of a default under the Notes or the Indenture, the Trustee need only perform the duties specifically set forth in the Indenture. The Indenture does not contain limitations on the rights of the Trustee under the Indenture, should it become our creditor, to obtain payment of claims. The Trustee is not precluded from engaging in other transactions and, if it acquires any conflicting interest, it is not required to eliminate such conflict or resign.

There shall at all times be a Trustee under the Indenture, which shall be a corporation having a combined capital and surplus of at least U.S.$20,000,000, doing business under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of a federal, state or District of Columbia supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, it shall resign immediately in the manner and with the effect hereinafter specified in the Indenture.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to the Indenture shall become effective until the acceptance of appointment by the successor Trustee.

The Trustee may resign at any time by giving not less than 90 days' written notice thereof to Bolivia. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 60 days after the giving of such notice of resignation, the resigning Trustee may itself petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee by be removed by the holders of a majority in aggregate principal amount of the outstanding Notes and appoint a successor trustee by delivering to the Trustee so removed, to the successor trustee so appointed and to Bolivia evidence of the action taken by the holders as provided for in the Indenture.

If at any time: (i) the Trustee shall cease to be under the Indenture and shall fail to resign after written request therefor by or on behalf of Bolivia or by any holder or (ii) the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver or liquidator of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (A) Bolivia may remove the Trustee and appoint a successor trustee or (B) any holder who has been a bona fide holder of a Note for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any cause, Bolivia shall appoint a successor Trustee.

A resigning trustee shall give notice of its resignation to Bolivia and holders. Bolivia shall give notice of each appointment of a successor trustee to holders

Additional Amounts

Bolivia will make all principal and interest payments on the Notes without deducting or withholding any present or future Bolivian taxes, unless the deduction or withholding is required by law. In the event that Bolivia is required to make any such deductions, it will pay the holders the additional amounts required to ensure that they receive the same amount as they would have received without this withholding or deduction.

Bolivia will not, however, pay any additional amounts in connection with any tax, assessment or other governmental charge ("Additional Amounts") that is imposed due to any of the following:

- the holder or beneficial owner has some connection with Bolivia other than merely holding the Notes or receiving principal and interest payments on the Notes;

- the holder or beneficial owner fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Bolivia of the holder or beneficial owner, if compliance is required by Bolivia as a precondition to exemption from the deduction; or

- the holder does not present (where presentment is required) its bond within 30 days after Bolivia makes a payment of principal or interest available.

Negative Pledge

As long as any of the Notes are outstanding, Bolivia will not create or permit to exist any lien (*i.e.*, a lien, pledge, mortgage, security interest, deed of trust or charge), other than the Permitted Liens as defined below, on its present or future revenues, properties or assets to secure its Public External Indebtedness (as defined below), unless the Notes are secured equally and ratably. As used herein, "Public External Indebtedness" means:

- all actual and contingent obligations of Bolivia for borrowed money or for the repayment of which Bolivia is responsible that are payable, or at the option of the holder may be payable, in any currency other than Bolivian currency; and

- that are in the form of bonds, debentures, notes or other securities that are or were intended by Bolivia to be quoted, listed or traded on any securities exchange, automated trading system, over-the-counter or other securities market, including securities eligible for resale pursuant to Rule 144A under the U.S. Securities Act of 1933, as amended.

Nevertheless, Bolivia may create or permit to exist the following ("Permitted Liens"):

- liens on any asset, project or property, and related revenues, to secure indebtedness borrowed for the purpose of financing the acquisition, development or construction of that asset or property, and related revenues, and any renewal or extension of the above liens that is limited to the same asset or property, and related revenues, and that secures a renewal or extension of the original secured financing;

- liens on any asset, project or property, and related revenues, existing at the time of the acquisition of that asset, project or property and any renewal or extension of the above liens that is limited to the same asset, project or property, and related revenues, and that secures a renewal or extension of the original secured financing.

Default and Acceleration of Maturity

Each of the following shall be an event of default under the Notes (an "Event of Default"):

1. *Non-Payment*: Bolivia fails to pay any principal of or interest on the Notes within 30 days of the date when the payment was due; or

2. *Breach of Other Obligations*: Bolivia fails to perform any other material obligation contained in the Notes or the Indenture and that failure continues for 120 days after any holder of the Notes gives written notice to Bolivia to remedy the failure and gives a copy of that notice to the Trustee; or

3. *Cross Default and Cross Acceleration*: Bolivia fails to pay when due any Public External Indebtedness (including Public External Indebtedness constituting guaranties by Bolivia) with an aggregate principal amount greater than U.S.$25,000,000 or the equivalent in any other currency, and that failure continues beyond any applicable grace period; or as a result of any default or event of default contained in any agreement or instrument related to any Public External Indebtedness (other than the Notes) of Bolivia, any party to such agreement or instrument accelerates or declares to be due and payable any such Public External Indebtedness prior to the stated maturity thereof; or

4. *Judgments*: any writ, execution, attachment or similar process is levied against all or any substantial part of Bolivia's assets in connection with any final, unappealable judgment for the payment of money exceeding U.S.$25,000,000 or its equivalent in any other currency, and Bolivia fails to satisfy or discharge that judgment, or adequately bond, contest in good faith or receive a stay or execution or continuance in respect of that judgment, within a period of 120 days; or

5. *Denial of Obligations*: Bolivia denies its obligations under the Notes or the Indenture;

6. *Moratorium:* Bolivia declares a formal and official suspension of payments or a moratorium on the payment of debt that does not expressly exclude the Notes); or

7. *Changes in Laws*: any law, regulation or governmental authorization necessary for Bolivia to perform its material obligations under the Notes or the Indenture ceases to be in full force and effect or is modified in a manner that adversely affects the rights or claims of any of the holders; or

8. *IMF Membership*: Bolivia ceases to be a member of the IMF.

If any of the Events of Default occurs and is continuing, the holders of at least 25% of the aggregate principal amount of the outstanding Notes may declare all the Notes to be due and payable immediately. The declarations referred to above shall be made by giving written notice to Bolivia and the Trustee, unless prior to the receipt of such notice by Bolivia all such defaults are cured.

Upon any declaration of acceleration, the principal, interest and all other amounts payable on the Notes will become immediately due and payable on the date Bolivia and the Trustee receives written notice of the declaration, unless Bolivia has remedied the Event(s) of Default prior to receiving the notice. The holders of more than 50% of the aggregate principal amount of the outstanding Notes, with written notice to Bolivia and the Trustee, may (i) rescind a declaration of acceleration if Bolivia remedies the Event(s) of Default giving rise to the declaration after the declaration is made or (ii) except in the case of payment defaults for which holders of more than 75% of the aggregate principal amount of the outstanding Notes are required, waive the Event(s) of Default giving rise to a declaration of acceleration.

The Trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless an authorized officer of the Trustee with direct responsibility for the Indenture has been given written notice of such Default or Event of Default by Bolivia or any Holder.

Meetings and Amendments

General. The Notes will provide that Bolivia may call a meeting of the holders of Notes at any time. Bolivia will determine the time and place of the meeting.

Bolivia will give the holders not less than 30 or more than 60 days' prior notice of each meeting. The notice will state:

- the time and the place of the meeting;
- in general terms, the action proposed to be taken at the meeting; and
- the record date for determining the holders entitled to vote at the meeting.

If an Event of Default relating to the Notes has occurred and is continuing, the holders of at least 10% in aggregate principal amount of outstanding Notes may request that the Trustee call a meeting of the holders. This request must be in writing and set forth in reasonable detail the action proposed to be taken at the meeting.

To be entitled to vote at any meeting, a person must be:

- a holder of outstanding Notes; or
- a person duly appointed in writing as a proxy for a holder.

The persons entitled to vote more than 50% of the aggregate principal amount of outstanding Notes will constitute a quorum. The Trustee may make any reasonable and customary regulations governing the conduct of any meeting.

For the purpose of the Indenture and the Notes, "outstanding Notes" does not include:

- previously cancelled Notes;
- Notes called for redemption;
- Notes which have become due and payable and for which sufficient funds to pay amounts owed under these Notes have been paid or provided for; and
- Notes owned by Bolivia or any public sector instrumentality of Bolivia. "Public sector instrumentality" means the Central Bank, any department, ministry or agency of the government of Bolivia or of any departmental, municipal or autonomous state entity or organization or any company, enterprise, corporation, trust, financial institution or other entity owned or controlled by the government of Bolivia or any of the foregoing, and "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a company, enterprise, corporation, trust, financial institution or other entity.

Certain Amendments Not Requiring Holder Consent. Bolivia and the Trustee may, without the vote or consent of any holder of Notes, amend the Indenture or the Notes for the purpose of:

- adding to Bolivia's covenants for the benefit of the holders;
- surrendering any of Bolivia's rights or powers;
- providing collateral for the Notes;
- curing any ambiguity or correcting or supplementing any defective provision contained in the Indenture or the Notes; or
- changing the terms and conditions of the Notes or the Indenture in any manner that will not materially adversely affect the interests of the holders of the Notes.

Approval (Collective Action Securities)

The persons entitled to vote more than 50% of the aggregate principal amount of the outstanding Notes normally will constitute a quorum. However, if a meeting is adjourned for lack of a quorum, then holders or proxies representing not less than 25% of the aggregate outstanding Notes will constitute a quorum when the meeting is rescheduled. For purposes of a meeting of holders that proposes to discuss Reserved Matters (as defined below), holders or proxies representing not less than 75% of the aggregate principal amount of outstanding Notes will constitute a quorum. The Trustee may make any reasonable and customary regulations governing the conduct of any meeting.

Bolivia and the Trustee may modify, amend or supplement the terms of the Notes and the Indenture as it relates to the Notes, or the holders may take any action provided by the Indenture or the terms of the Notes, with:

- the approval of the holders of not less than 66⅔% in aggregate outstanding principal amount of the Notes that are represented at a meeting of holders; or
- the written consent of the holders of not less than 66⅔% in aggregate outstanding aggregate principal amount of the Notes.

However, the holders of not less than 75% in aggregate principal amount of the outstanding Notes, voting at a meeting or by written consent, must consent to any amendment, modification, change or waiver with respect to the Notes with respect to any matter ("Reserved Matters") that would:

- change the due date for the payment of principal, any premium or any interest on the Notes;
- reduce the principal amount of the Notes;
- reduce the portion of the principal amount of the Notes that is payable upon acceleration of the maturity date;
- reduce the interest rate on the Notes or any premium payable upon redemption of the Notes;
- change the currency or place of payment of principal of or any premium or interest on the Notes;
- shorten the period during which Bolivia is not permitted to redeem the Notes or permit Bolivia to redeem the Notes if, prior to this action, Bolivia was not permitted to do so;
- reduce the percentage of principal amount of the holders of the Notes whose vote or consent is needed to modify, amend or supplement the Indenture or the terms and conditions of the Notes or to take any other action with respect to the Notes or the Indenture or change the definition of "outstanding" with respect to the Notes;
- change Bolivia's obligation to pay Additional Amounts;
- change the governing law provision of the Notes;
- change the courts to the jurisdiction of which Bolivia has submitted, Bolivia's obligation to appoint and maintain an agent for the service of process in the Borough of Manhattan, The City of New York or Bolivia's waiver of immunity in respect of actions or proceedings brought by any holder based upon the Notes;

- in connection with an exchange offer for the Notes, amend any Event of Default; or
- change the seniority or security of the Notes.

A change to any Reserved Matter can be made without your consent, as long as a supermajority of the holders (that is, the holders of at least 75% of the aggregate principal amount of the outstanding Notes) agree to the change.

For purposes of determining whether the required percentage of holders of the Notes has approved any amendment, modification or change to, or waiver of, the Notes or the terms of the Indenture, or whether the required percentage of holders has delivered a notice of acceleration of the Notes, Notes owned, directly or indirectly, by Bolivia or any public sector instrumentality of Bolivia will be disregarded and deemed not to be outstanding, except that in determining whether the Trustee shall be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only Notes that the Trustee knows to be so owned shall be so disregarded.

Notices

Bolivia will mail any notices to the holders of the Notes at the addresses appearing in the security register maintained by the Registrar and notices of judicial process to Bolivian Holders will be served in accordance with Bolivian law. Bolivia will consider a notice to be given at the time it is mailed. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the exchange so require, Bolivia will also publish notices to the holders in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange at http://www.bourse.lu. If publication in a leading newspaper in Luxembourg or on the website of the Luxembourg Stock Exchange at http://www.bourse.lu is not practicable, Bolivia will give notices in an English language newspaper with general circulation in the respective market regions or in another way consistent with the rules of the Luxembourg Stock Exchange.

Optional Redemption

Bolivia will have the right at its option, upon giving not less than 30 days' nor more than 60 days' notice, to redeem the Notes, in whole or in part, at any time or from time to time prior to their maturity, at a redemption price equal to the greater of (i) 100% of the principal amount of such Notes and (ii) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 50 basis points (the "Make-Whole Amount"), plus in each case accrued and unpaid interest to the redemption date on the Notes to be redeemed on such date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption. If less than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected on a *pro rata* basis, selected by lot or by such method as the Trustee shall deem fair and appropriate (subject to the procedures of DTC).

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (as defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States of America Treasury security or securities selected by an Independent Investment Banker (as defined below) as having an actual or interpolated maturity comparable to the period from the redemption date to the maturity date of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of comparable debt securities of a comparable maturity to the period from the redemption date to the maturity date of such Notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by Bolivia.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations or (ii) if Bolivia obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co. and three other dealers selected by Bolivia, or their affiliates that are primary United States government securities dealers, and their respective successors; *provided* that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), Bolivia will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by Bolivia, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to Bolivia by such Reference Treasury Dealer at 3:30 p.m., New York time on the third business day preceding such redemption date.

Repurchase

Bolivia may at any time purchase the Notes and, in its discretion, hold or resell them or surrender them to the Trustee for cancellation.

Further Issues

Bolivia may, without the consent of the holders, create and issue additional notes that may form a single series of notes with the outstanding Notes; *provided* that such additional notes do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such additional notes are subject to U.S. federal tax laws), a greater amount of original issue discount than the Notes have as of the date of the issue of such additional notes.

Jurisdiction, Consent to Service and Enforceability

Bolivia is a sovereign state. Consequently, it may be difficult for you to obtain or realize judgments of the courts of the United States of America or elsewhere against Bolivia. Furthermore, it may be difficult for you to enforce, in the United States of America or elsewhere, the judgments of U.S. or foreign courts against Bolivia.

In connection with any legal action against Bolivia or its properties, assets or revenues arising out of or relating to the Notes or the Indenture, which is referred to as a "related proceeding," Bolivia will:

- submit to the exclusive jurisdiction of any New York State or U.S. federal court sitting in the Borough of Manhattan, New York City, and any appellate court thereof;

- agree that all claims in respect of any related proceeding may be heard and determined in such New York State or U.S. federal court;

- agree that any judgment obtained in such New York State or U.S. federal court arising out of a related proceeding may be enforced or executed in any other court of competent jurisdiction, subject to the applicable laws and international agreements, if any, regulating such enforcement or execution;

- agree that any judgment obtained in any such other court as a result of such enforcement or execution may be enforced or executed in any such other court of competent jurisdiction by means of a suit on the judgment or in any other manner provided by law, and subject to the applicable laws and international agreements, if any, regulating such enforcement or execution;

- consent to and waive, to the fullest extent permitted by law, any objection that it may have to the laying of venue of any related proceeding brought in such New York State or U.S. federal court or to the laying of venue of any legal action brought solely for the purpose of enforcing or executing a related judgment in such New York State or U.S. federal court or any other courts;

- waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of a related proceeding or any such legal action in any such court; and

- appoint the Consul of Bolivia in the City of New York, presently located at 211 East 43rd Street, Suite 1004, New York, NY 10017, as its process agent, agree that for so long as any Note remains outstanding the person from time to time so acting, or discharging such functions, will be deemed to have been appointed as its process agent and otherwise maintain at all times an agent with offices in New York to act as its process agent.

The process agent will receive, on behalf of Bolivia and its property, service of all writs, process and summonses in any related proceeding or any suit, action or proceeding to enforce or execute any related judgment brought against it in any New York State or U.S. federal courts sitting in the Borough of Manhattan, New York City. Failure of the process agent to give any notice to Bolivia of any such service of process shall not impair or affect the validity of that service or of any judgment based thereon. Nothing in the Indenture shall in any way be deemed to limit the ability to serve any such writs, process or summonses in any other manner permitted by applicable law.

Except for as may result from the application of Paragraph II of Article 339 of the Bolivian Political Constitution, Paragraph 2 of Article 339 of the Bolivian Political Constitution, Clause 10 of Article 179 of Chapter 10 of the Bolivian Code of Civil Procedure or Article 3 of the Regulation for the Registration, Registration Control and Certification of the Bolivian State, to the extent that Bolivia or any of its revenues, assets or properties may be entitled to any sovereign or other immunity under any law, Bolivia will not claim and will waive that immunity to the fullest extent permitted by the laws of such jurisdiction. This waiver covers Bolivia's sovereign immunity and immunity from prejudgment attachment, post-judgment attachment and attachment in aid, but does not extend to the attachment of revenues, assets and property of Bolivia located in Bolivia, unless permitted under Bolivian law.

Bolivia, however, reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under U.S. federal securities laws or any state securities law. Without an effective waiver of immunity by Bolivia with respect to those actions, it would be impossible to obtain a U.S. judgment in such an action against Bolivia unless a court were to determine that Bolivia is not entitled to sovereign immunity under the Foreign Sovereign Immunities Act of 1976 with respect to that action. In addition, even if a U.S. judgment could be obtained in an action under the Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in Bolivia a judgment based on that U.S. judgment.

Governing Law

The Notes and the Indenture will be governed by and interpreted in accordance with the laws of the State of New York without regard to any conflicts of law principles thereof that would require the application of laws of a jurisdiction other than the State of New York. However, matters concerning authorization and execution of the Indenture and the Notes by Bolivia, as well as the enforcement of any foreign judgment against Bolivia before Bolivian courts, will be governed by the laws of Bolivia.

Book-Entry; Delivery and Form

The Notes are being offered and sold in reliance on Rule 144A ("Rule 144A Notes"). The Notes also may be offered and sold in offshore transactions in reliance on Regulation S ("Regulation S Notes"). Except as set forth below, the Notes will be issued in registered, global form. Notes will be issued at the closing of this offering only against payment in immediately available funds. Rule 144A Notes initially will be represented by one or more permanent global notes in registered form without interest coupons (collectively, the "Rule 144A Global Notes"). Regulation S Notes initially will be represented by one or more permanent global notes in registered form without interest coupons (collectively, the "Regulation S Global Notes"). The Rule 144A Global Notes and the Regulation S Global Notes are collectively referred to herein as the "Global Notes."

The Global Notes will be deposited upon issuance with the Paying Agent as custodian for DTC, in New York, New York, and registered in the name of DTC's nominee, Cede & Co., in each case for credit to an account of a direct or indirect participant in DTC as described below. Beneficial interests in the Global Notes may be held through Euroclear and Clearstream (as indirect participants in DTC). Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes or vice versa at any time except in the limited circumstances described below.

Except as set forth below, the Global Notes may be transferred, in whole but not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Certificated Notes except in the limited circumstances described below. Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions." Regulation S Notes will also bear the legend as described under "Transfer Restrictions." In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Bolivia has been advised that DTC is:

- a limited purpose trust company organized under the laws of the State of New York;
- a "banking organization" within the meaning of the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code; and

- a "clearing agency" registered under the provisions of Section 17A of the U.S. Exchange Act, as amended.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for the physical movement of certificates. Indirect access to the DTC system is available to "indirect participants," such as banks, brokers, dealers and trust companies and other organizations, that clear through or maintain, either directly or indirectly, a custodial relationship with a participant.

So long as DTC or its nominee is the registered owner or holder of the Global Notes, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by the Global Notes for all purposes under the Notes and the Indenture. No beneficial owner of an interest in any global note may transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and those of Euroclear and Clearstream.

Payments of the principal of, and interest on, the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner of the Global Notes. Bolivia, the Trustee and any Paying Agent will not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

Bolivia expects that DTC or its nominee, upon receipt of any payment of principal of or interest on the Global Notes, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC or its nominee. Bolivia also expects that payments by participants to owners of beneficial interests in the Global Notes held through those participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for those customers. These payments will be the responsibility of those participants.

Bolivia expects that DTC will take any action permitted to be taken by a holder of the Notes, including the presentation of the Notes for exchange, only at the direction of one or more participants to whose account the DTC interests in the global note is credited and only in respect of that portion of the aggregate principal amount of the Notes for which that participant has or those participants have given such direction. If, however, there is an Event of Default under the Notes, DTC will exchange the applicable Global Notes for registered Certificated Notes, which it will distribute to its participants.

Bolivia will issue Certificated Notes in exchange for Global Notes only if:

- Bolivia notifies the depositary that it will no longer be the depositary for the Global Notes, the depositary notifies Bolivia that it is unwilling, unable or no longer qualified to continue as depositary or is eligible to act as depositary, or, if the depositary is located in the United States of America, Bolivia does not appoint a successor depositary within 90 days;

- the depositary is located outside the United States of America and such depositary closes for a continuous period of 14 days (other than by reason of holidays, applicable law or otherwise) or announces an intention to permanently cease business or does in fact do so; or

- Bolivia determines not to have any notes represented by a global note.

Prior to the expiration of the period through and including the 40th day after the later of the commencement of this offering and the closing of this offering (the "Restricted Period"), beneficial interests in a Regulation S Global Bond may be exchanged for beneficial interests in a Rule 144A Global Bond only if:

(1) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A;

(2) the transferor first delivers to the Transfer Agent a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a person who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A and is purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(3) the transfer is in accordance with all applicable securities laws.

After the expiration of the Restricted Period, such certification requirements will not apply to such transfers of beneficial interests in Regulation S Global Notes.

Beneficial interests in a Rule 144A Global Bond may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Bond, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Transfer Agent a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the Transfer Agent through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Notes and a corresponding increase in the principal amount of the Rule 144A Global Notes or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Notes will, upon transfer, cease to be an interest in such Global Notes and will become an interest in the other Global Notes and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Notes for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Notes prior to the expiration of the Restricted Period.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC's rules and will be settled in sameday funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, if any, cross-market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream accountholders, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary. Any cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines (Brussels time) of that system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its respective settlement requirements, deliver instructions to its respective depositary to effect final settlement on its behalf by delivering or receiving interests in the Global Notes to DTC, and making or receiving payments in accordance with normal procedures for sameday funds settlement applicable to DTC. Euroclear accountholders and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream accountholder purchasing an interest in any global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream accountholder, during the securities settlement processing day, which must be a business day for Euroclear and Clearstream immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in any global note by or through a Euroclear or Clearstream accountholder to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among the participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. Bolivia and the Trustee will not have any responsibility for the performance by DTC, Euroclear or Clearstream, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

TAXATION

This is a general summary of certain United States of America federal and Bolivian income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of United States of America federal and Bolivian income tax law and does not discuss any state or local tax considerations. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Offering Memorandum, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the income tax consequences that may be relevant to an Investor in light of such investor's particular circumstances or to Investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. Prospective investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction. For the purposes of this summary, any reference to the purchase, ownership or disposition of the Notes shall mean reference to the purchase, ownership or disposition of the Notes or beneficial interests therein.

United States of America Tax Considerations

U.S. Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, holders of the Notes or prospective purchasers are hereby notified that: (i) any discussion of U.S. federal income tax issues contained or referred to in this Offering Memorandum or any document referred to herein is not intended or written to be used, and cannot be used or relied upon by holders of the Notes for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code of 1986, as amended (the Code); (ii) such discussion was written solely for use in connection with the promotion or marketing, to the extent permitted by applicable law, of the Notes; and (iii) holders of the Notes should seek advice based on their particular circumstances from an independent tax advisor.

General

The following is a general summary of certain principal U.S. federal income tax consequences that may be relevant with respect to the ownership of the Notes. This summary addresses only the U.S. federal income tax considerations of holders that acquire the Notes at their original issuance pursuant to this Offering Memorandum and that will hold such Notes as a capital asset within the meaning of the Code.

This summary does not purport to address all U.S. federal income tax matters that may be relevant to a particular holder of the Notes. In particular, this summary does not address tax considerations applicable to holders of the Notes that may be subject to special tax rules including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in Notes, currencies or notional principal contracts; (iv) tax-exempt entities; (v) regulated investment companies; (vi) real estate investment trusts; (vii) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic Note" or other integrated transaction for U.S. federal income tax purposes; (viii) persons whose "functional currency" is not the U.S. dollar; (ix) persons that own (or are deemed to own) 10 percent or more of the voting shares (or interests treated as equity) of the Issuer; and (x) partnerships or other pass-through entities for U.S. federal income tax purposes, or persons who hold Notes through such partnerships or other pass-through entities. Further, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of the Notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdictions other than the federal income tax laws of the U.S. federal government.

This summary is based on the Code, U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Offering Memorandum. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

Prospective investors should consult their own tax advisors with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes.

For the purposes of this summary, a U.S. Holder is a beneficial owner of the Notes that is, for U.S. federal income tax purposes:

(i) a citizen or individual resident of the United States of America;

(ii) a corporation created or organized in or under the laws of the United States of America or any state thereof (including the District of Columbia);

(iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

(iv) a trust if (x) a court within the United States of America is able to exercise primary supervision over its administration and (y) one or more United States of America persons have the authority to control all of the substantial decisions of such trust. As provided in U.S. Treasury Regulations, certain trusts that maintain a valid election to be treated as United States of America persons also are U.S. Holders.

A Non-U.S. Holder is a beneficial owner of the Notes that is not a U.S. Holder. If a partnership holds the Notes, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding the Notes should consult its tax advisor about its particular situation.

Taxation of U.S. Holders

Interest

Interest paid on the Notes, including the payment of any Additional Amounts, will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest income on the Notes and payments of any Additional Amounts will be treated as foreign source passive category income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation for U.S. federal income tax purposes. The U.S. foreign tax credit limitation is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and U.S. Holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Sale, Exchange, Redemption or Other Disposition of the Notes

Upon the disposition of a Note by sale, exchange, redemption or otherwise, a U.S. Holder generally will recognize gain or loss equal to the difference between (i) the amount realized on the disposition and (ii) the holder's adjusted tax basis in the Note. A holder's adjusted tax basis in a Note generally will be the holder's purchase price of the Note. Except to the extent attributable to accrued but unpaid interest (which will be taxable as interest income to the extent not previously included in income), any gain or loss on the sale or other disposition of a Note will be capital gain or loss. Such capital gain or loss will generally be long-term capital gain or loss if the holder held the Note for more than one year at the time of the disposition. Certain non-corporate U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The ability of a U.S. Holder to deduct a capital loss is subject to limitations under the Code.

Capital gains of a U.S. Holder will be treated as U.S. source, passive category income, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation for U.S. federal income tax purposes. The U.S. foreign tax credit limitation is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and U.S. Holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Taxation of Non-U.S. Holders

Subject to the backup withholding discussion below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, exchange, redemption or other disposition of the Notes unless (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States of America; (ii) in the case of any gain realized by an individual Non-U.S. Holder, that Non-U.S. Holder is present in the United States of America for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates. **Non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax considerations and other tax consequences of owning the Notes.**

Information Reporting and Backup Withholding

Backup withholding and information reporting requirements may apply to certain payments on the Notes, and of proceeds of the sale or other disposition of the Notes, made to U.S. Holders. The Issuer, its agent, a broker or any paying agent, as the case may be, may be required to withhold tax from any payment if a U.S. Holder fails (i) to furnish the U.S. Internal Revenue Service (IRS) with its taxpayer identification number, (ii) to certify that it is not subject to backup withholding or (iii) to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally may be claimed as a credit against such holder's U.S. federal income tax liability provided that the required information is furnished to the IRS.

Individual U.S. Holders may be required to report to the IRS certain information with respect to their beneficial ownership of certain foreign financial assets, such as the Notes, if the aggregate value of such assets exceeds U.S.$50,000. Individual U.S. Holders who fail to report required information could be subject to substantial penalties.

Certain Bolivian Tax Considerations

The discussion in this Offering Memorandum is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding Bolivian taxation, and was written to support the promotion or marketing of the Offering Memorandum. Each investor should seek advice based on their particular circumstances from an independent tax advisor.

Pursuant to Law No. 291 dated September 22, 2012, interest in favor of holders of the Notes is exempt from the Bolivian Tax on Company Profits (*Impuesto sobre las utilidades de las empresas—IUE*) and no Bolivian withholding tax applies to payments of principal or interest in favor of holders of the Notes.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE INVESTMENT IN THE OFFERED NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

PLAN OF DISTRIBUTION

The Initial Purchasers have entered into a purchase agreement with Bolivia with respect to the Notes (the "Purchase Agreement"). Subject to certain conditions, each Initial Purchaser has severally and not jointly agreed to purchase the principal amount of Notes indicated in the following table.

Initial Purchasers	**Principal Amount of Notes**
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S.$250,000,000
Goldman, Sachs & Co.	U.S.$250,000,000
Total	U.S.$500,000,000

Subject to the terms and conditions set forth in the Purchase Agreement, the Initial Purchasers are committed to take and pay for all of the Notes being offered, if any are taken. The initial offering price is set forth on the cover page of this Offering Memorandum. After the Notes are released for sale, the Initial Purchasers may change the offering price and other selling terms. The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part. Each purchaser of the Notes will be deemed to have made acknowledgements, representations and agreements as described under "Transfer Restrictions".

The Notes have not been and will not be registered under the Securities Act. Each Initial Purchaser has agreed that it will only offer or sell the Notes (A) in the United States of America to qualified institutional buyers in reliance on Rule 144A under the Securities Act and (B) outside the United States of America to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Terms used above have the meanings given to them by Rule 144A and Regulation S under the Securities Act.

The Notes are a new issue of securities with no established trading market. Bolivia has been advised by the Initial Purchasers that the Initial Purchasers intend to make a market in the Notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes.

In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater number of Notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

The Initial Purchasers also may impose a penalty bid. This occurs when either Initial Purchaser repays to the other a portion of the underwriting discount received by it because it or its affiliates have repurchased Notes sold by or for the account of such Initial Purchaser in stabilizing or short covering transactions.

These activities by the Initial Purchasers, as well as other purchases by the Initial Purchasers for their own accounts, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchasers at any time. These transactions may be effected in the over-the-counter market or otherwise. Neither we nor any of the

Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes.

The Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this Offering Memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

Bolivia has agreed to indemnify the several Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

Bolivia has agreed that it will not, for a period of 90 days after the date of this Offering Memorandum, without first obtaining the prior written consent of the Initial Purchasers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act in respect of, any debt securities or securities exchangeable for or convertible into debt securities, except for the Notes sold to the Initial Purchasers pursuant to the Purchase Agreement.

Other Relationships

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Initial Purchasers and their respective affiliates have provided, and may in the future provide, a variety of these services to Bolivia and to persons and entities with relationships with Bolivia, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of Bolivia (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with Bolivia. Certain of the Initial Purchasers or their affiliates that have a lending relationship with Bolivia routinely hedge their credit exposure to Bolivia consistent with their customary risk management policies. Typically, such Initial Purchaser and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities or instruments.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Initial Purchasers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes that are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by Bolivia for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the issuer or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

The Initial Purchasers have represented and agreed that:

(a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to Bolivia; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and the Initial Purchasers have agreed that they will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

This Offering Memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, this Offering Memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the Initial Purchasers from time to time.

Dubai

This Offering Memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This Offering Memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Offering Memorandum nor taken steps to verify the information set forth herein and has no responsibility for the Offering Memorandum. The notes to which this Offering Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this Offering Memorandum you should consult an authorized financial advisor.

TRANSFER RESTRICTIONS

Each purchaser of the Notes will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) You (A) (i) are a qualified institutional buyer, (ii) are aware that the sale of the Notes to you is being made in reliance on Rule 144A and (iii) are acquiring such Notes for your own account or for the account of a qualified institutional buyer, as the case may be, or (B) are not a U.S. person, as such term is defined in Rule 902 under the Securities Act, and are purchasing the Notes in accordance with Regulation S.

(2) You understand that the Notes have not been and will not be registered under the Securities Act, or any other state or other securities laws, and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who you reasonably believe is a qualified institutional buyer acquiring for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from registration under the Securities Act (if available), or (iv) pursuant to an effective registration statement under the Securities Act and (B) in accordance with all applicable securities laws of the states of the United States of America and other jurisdictions.

(3) Rule 144A Notes will bear a legend to the following effect, unless Bolivia determines otherwise in compliance with applicable law:

> THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES OF AMERICA SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OF AMERICA AND OTHER JURISDICTIONS. AS USED HEREIN, THE TERM "OFFSHORE TRANSACTION" HAS THE MEANING GIVEN IN THE SECURITIES ACT.
>
> THIS LEGEND WILL ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

(4) Regulation S Notes will bear a legend to the following effect, unless Bolivia determines otherwise in compliance with applicable law:

> THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

The Notes will be available initially only in book-entry form. The Notes will be issued in the form of one or more global notes bearing the legends set forth above.

LEGAL MATTERS

Certain legal matters under New York law relating to the Notes and this offering will be passed upon by Allen & Overy LLP, our special U.S. counsel, and for the Initial Purchasers, by Shearman & Sterling LLP, special U.S. counsel to the Initial Purchasers. Certain legal matters under Bolivian law relating to the validity of the Notes and this offering will be passed upon by the Department of Legal Affairs (*La Dirección General de Asuntos Jurídicos*) of the Ministry of Economy and Public Finance and for the Initial Purchasers, by Bufete Aguirre Soc. Civ., special Bolivian counsel to the Initial Purchasers. With respect to certain matters governed by Bolivian law, Allen & Overy LLP may rely on the opinion of the Department of Legal Affairs of the Ministry of Economy and Public Finance, and Shearman & Sterling LLP may rely on the opinion of Bufete Aguirre Soc. Civ.

GENERAL INFORMATION

1. The issuance of the Notes has been authorized by Article 10 of Law No. 211 (*Ley del Presupuesto General del Estado—Gestión 2012*) dated December 23, 2011 pursuant to Subparagraphs 8 and 10 of Paragraph 1 of Article 158 of the Bolivian Political Constitution in relation to Article 322 of the Bolivian Political Constitution.

2. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream as follows:

Rule 144A ISIN	Rule 144A CUSIP	Rule 144A Common Code	Reg S ISIN	Reg S CUSIP	Reg S Common Code
US29731QAA58	29731Q AA5	084978230	USP37878AA69	P37878 AA6	084975184

3. To the best of its knowledge, except as disclosed in this Offering Memorandum, the Issuer is not involved in any litigation, arbitration, or administrative proceedings relating to the claims or amounts which are material in the context of the issuance of Notes nor, so far as it is aware, having made reasonable inquiries, is any such material litigation or arbitration or administrative proceeding involving it pending or threatened.

4. Except as disclosed in this Offering Memorandum, there has been no material adverse change in the fiscal, economic or political condition or affairs of the Issuer since December 31, 2011 which is material in the context of the issue of the Notes.

5. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and trading on the Euro MTF Market. Transactions will normally be effected for settlement in U.S. dollars and for delivery on the 5th working day after the day of the transaction.

6. For so long as any of the Notes are outstanding or admitted to trading on the Euro MTF Market, copies of this Offering Memorandum and the Indenture as well as the Central Bank's fourth quarter reports for each year (which contains the latest economic information available for the Issuer for that year), as and when available, will be available at the offices of the listing agent in Luxembourg during normal business hours on any weekday.

7. The Bank of New York Mellon (Luxembourg) S.A. has been appointed as Luxembourg paying agent, Luxembourg transfer agent and Luxembourg listing agent. For so long as any of the Notes are admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will maintain a paying agent and transfer agent in Luxembourg.

8. Each of the Purchase Agreement among Bolivia and the Initial Purchasers, the Indenture and the Notes are governed by the laws of the State of New York. However, the laws of Bolivia will govern all matters relating to authorization and execution by Bolivia of the Notes and the Indenture, and in the case of a direct enforcement action in a Bolivian court the substantive laws of Bolivia will be used to interpret the Purchase Agreement, the Notes and the Indenture. In the case of the enforcement of a foreign judgment before the Bolivian courts, a prior procedure of recognition from and authorization by the Supreme Tribunal of Justice for which purpose certain formalities and requirements must be met as determined by the Bolivian Code of Civil Procedure (or as it may be modified or substituted).

ISSUER

Estado Plurinacional de Bolivia
Ministerio de Economía y Finanzas Públicas
Edificio Palacio de Comunicaciones Piso 19
La Paz
Bolivia

TRUSTEE, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon
101 Barclay Street
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United States of America

LUXEMBOURG PAYING AGENT, LUXEMBOURG TRANSFER AGENT AND LUXEMBOURG LISTING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
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As to U.S. Law

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As to Bolivian Law

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Bolivia

U.S.$500,000,000

ESTADO PLURINACIONAL DE BOLIVIA

4.875% Notes Due 2022

Offering Memorandum

Joint Lead Managers

BofA Merrill Lynch **Goldman, Sachs & Co.**

October 22, 2012