



Estado Plurinacional de Bolivia U.S.\$1,000,000,000 4.500% Notes Due 2028

The U.S.\$1,000,000,000 4.500% notes due 2028 (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 March 20, 2028. Bolivia will pay the principal of the Notes in three installments: 33.33% of the original principal amount on March 20, 2026, 33.33% of the original principal amount on March 20, 2027 and the remaining outstanding principal balance on March 20, 2028. The Notes will bear interest at a rate of 4.500% per year and will be payable on March 20 and September 20 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 September 20, 2017.

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 will contain provisions regarding acceleration and future modifications to their terms, including “collective action clauses”. Under these provisions, which differ from the terms of Bolivia’s external indebtedness issued prior to March 20, 2017 and which are described in the section entitled “Description of the Notes—Collective Action Clauses,” “Description of the Notes—Meetings, Amendments and Waivers—Collective Action”, Bolivia may amend the payment provisions of the bonds and other reserve matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount outstanding of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66 2/3% of the aggregate principal amount of the outstanding securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding securities of each series affected by the proposed modification, taken individually. 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 the Notes” beginning on page 128.

Investment in the Notes involves risks. See “Risk Factors” beginning on page 20 of this offering memorandum (the “Offering Memorandum”).

Issue Price: 99.104% plus accrued interest, if any, from March 20, 2017.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to U.S. persons, except to (1) qualified institutional buyers in reliance of the exemption from registration provided by Rule 144A of the Securities Act and (2) certain persons in offshore transactions in reliance on Regulation S of the Securities Act. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act. For a description of certain restrictions on transfer of the Notes, 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 as amended by Directive 2010/73/EU (the “Prospectus Directive”) must be addressed to qualified investors (as defined in the Prospectus Directive).

We have applied to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and trading on the Euro MTF Market. There can be no assurance that such application will be granted as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. 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”) for the accounts of its direct and indirect participants, including Euroclear Bank, S.A./N.V. (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) on or about March 20, 2017.

Joint Lead Managers

BofA Merrill Lynch

J.P. Morgan

The date of this Offering Memorandum is March 22, 2017.

SOUTH AMERICA



BOLIVIA



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TABLE OF CONTENTS

	<u>Page</u>
About This Offering Memorandum	iii
Notice to Investors	iv
Presentation of Certain Information	vi
Forward-Looking Statements	vii
Enforcement of Civil Liabilities	ix
Summary.....	1
Bolivia	1
Bolivian Economy	2
External Economy	2
Monetary System	4
Public Finances	4
Public Sector Indebtedness	5
Principal Industrialization and Diversification Projects	7
Recent Developments	9
Summary Information.....	14
The Offering	16
Exchange Rates	20
Risk Factors	21
Risks Relating to Bolivia	21
Risks Relating to Owning the Notes	25
Use of Proceeds	27
Bolivia	28
Overview	28
History	28
Territory and Population	29
Political and Legal System	31
Social Welfare Programs	32
Infrastructure and Investments.....	36
International Relations.....	38
National Policy Against Drug Trafficking and Reevaluation of the Coca Leaf.....	42
Legal Proceedings and Processes.....	44
The Bolivian Economy	48
Overview	48
New Economic, Social, Communitarian and Productive Model	48
Gross Domestic Product	49
Principal Sectors of the Economy	52
Nationalization Process.....	64
Employment and Labor	67
The External Economy	70
Overview	70
Balance of Payments.....	70
Remittances	73
Foreign Trade.....	73
International Reserves.....	81
Foreign Direct Investment	82
The Monetary System.....	84
Central Bank	84
Financial System Supervision Authority	86
Monetary and Finance Sector	88
Stock Market.....	96
Public Finance	98
Public Sector Budget	98
Non-Financial Public Sector	98
General Government.....	106
State-Owned Companies.....	108
Taxes.....	110

TABLE OF CONTENTS

	<u>Page</u>
Public Sector Indebtedness	112
General.....	112
Public Domestic Debt	113
Public External Debt.....	120
Description of the Notes	129
Taxation.....	142
Certain U.S. Federal Income Tax Considerations.....	142
Certain Bolivian Tax Considerations	144
Plan of Distribution	145
Transfer Restrictions.....	150
Legal Matters.....	152
Official Statements	153
General Information	154

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. J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated 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. This Offering Memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes.

Distribution of this Offering Memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this Offering Memorandum without our prior written consent is prohibited.

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” 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 laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

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.”

PRESENTATION OF CERTAIN INFORMATION

Our fiscal year ends on December 31 of each year. The fiscal year ended December 31, 2016 is referred to in this Offering Memorandum as “2016” 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 31, 2016 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, mineral and other commodity 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;
 - changes in Bolivia’s credit ratings;
 - 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;
 - terrorist attacks in the United States of America or elsewhere, acts of war, any general slowdown in the U.S. or global economies;
 - climatic events;
 - international and domestic headlines and political uncertainty; and
 - future decisions by international financial institutions regarding the terms of their financial assistance to Bolivia.
- 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 or changes in our economic, tax or other policies;
 - our level of domestic debt;

- general economic and business conditions in Bolivia, including a decline in foreign direct investment, high domestic inflation, deflation or monetary fluctuations, high domestic interest rates, exchange rate volatility 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, 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;
- 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 international public order;
- 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; and
- such judgment has been certified by Bolivian consular authorities, except if they are served through diplomatic channels or through the competent administrative authorities, and is accompanied by a certified and officially translated copy of such judgment into Spanish.

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. The information contained herein with respect to Bolivia is based on information derived from official sources, including from the Ministry of Finance, and reflects the most current official information on Bolivia and the various aspects of the economy, the political environment, balance of trade, the monetary system, GDP levels and other metrics. Information for 2014 and 2015 is preliminary where indicated and otherwise reflects information Bolivia regards as fully reflective of its condition as of the dates indicated. Information for 2016 generally is not yet available except on a limited basis as indicated in selected sections of this Offering Memorandum and in such cases is preliminary and subject to adjustment as information is reviewed and validated by Bolivian governmental authorities. For general information on recent developments relating to Bolivia, please see “Recent Developments.”

Bolivia

Bolivia is a democracy located in the Andes Mountains and the Amazon region of central-western South America, with an estimated population of approximately 10.8 million as of December 31, 2015. The election of president Juan Evo Morales Ayma in 2006 initiated a period of expansion for the role of the state in economic affairs and of greater focus on Bolivian social policies. We believe that sustained growth cannot be attained if a significant share of our population continues living in poverty. Consequently, our policies are aimed at eradicating poverty and strengthening domestic demand. The current Bolivian constitution, which was adopted on February 7, 2009 (the “Bolivian Political Constitution” or the “Constitution”), is aimed at, among other things, empowering previously excluded classes, 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 certain public services and promote nutritional sustainability. We believe that state-owned companies must be efficient and profitable and that the operations of any state-owned company operating at a loss should be terminated. Accordingly, during 2016 we ceased operations at Enatex, a state-owned company that experienced significant financial problems. Nonetheless, we continue to operate a number of successful state-owned companies, such as Empresa Nacional de Electricidad (“ENDE”) (in the energy sector), Yacimientos Petrolíferos Fiscales Bolivianos (“YPFB”) (in the hydrocarbon sector), ENTEL S.A. (in the communications sector), Boliviana de Aviación (“BOA”) (the state-owned airline) and Empresa Boliviana de Almendra y Derivados (“EBA”) (in the foods sector).

We are committed to eradicating poverty by promoting equitable economic distribution plans and by promoting equality in opportunity. We have created income redistribution programs that have been instrumental in reducing extreme poverty from 38.2% of the population in 2005 to 16.8% of the population in 2015 and reducing moderate poverty from 60.6% of the population in 2005 to 38.6% of the population in 2015. We have implemented these social welfare programs in a targeted manner to allow for 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 (which provides monthly assistance for seniors), the Juancito Pinto cash transfer program (which provides a monthly subsidy directly to public school students to encourage attendance) and the Juana Azurduy voucher program (which provides certain subsidies to encourage prenatal and postnatal health and wellness), which together benefited more than 45% of the Bolivian population in 2015. Since 2006, these advancements in the fight against poverty have been accompanied by high GDP growth rates and a prudent fiscal policy.

Between 2006 and 2013, as part of the process of recovery of strategic sector companies by the Government, we carried out several nationalizations and also terminated certain contracts and revoked certain mining concessions. The nationalizations targeted mainly formerly state-owned companies that had been privatized during the 1990s. We compensated investors in most of the nationalized companies. Some of the investors initiated legal proceedings against us in connection with these nationalizations. Most of these proceedings have been resolved, and we are in discussions to negotiate settlements with the remaining affected parties, which we do not expect to be material.

In recent years, we have sought to generate an institutional environment favorable to the private sector. We have worked with the private sector on the drafting and approval of the Arbitration and Mediation Law (*Ley de*

Arbitraje y Conciliación) approved on June 25, 2015 and the Investment Promotion Law (*Ley de Promoción de Inversiones*) approved on April 4, 2014, the latter of which is designed to encourage private investment in Bolivia.

Bolivian Economy

Beginning with the administration of President Morales in 2006, we have implemented a new economic, social, communitarian and productive model that allows the public sector to actively participate in the economy in order to increase economic growth by increasing investment and creating state enterprises. Despite the global financial crisis that began in 2008, we generally benefited from favorable economic conditions between 2006 and 2015. Our economy and public finances strengthened significantly during this period as a result of real GDP growth, increased exports, increased hydrocarbon production (although offset by recent price declines), 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.

Our economy has been growing for the last two decades. Between 1996 and 2005, we experienced average real GDP growth of 3.3% annually, while between 2006 and 2015 real GDP grew at an average of 5.0% annually. Growth in recent years has been driven by the increase in domestic demand. Real GDP grew by 4.3% in 2016 and 4.8% in 2015, compared to 5.5% and 6.8% in 2014 and 2013, respectively. The deceleration in each of 2014, 2015 and 2016 as compared to 2013 were primarily the result of lower gas demand from Brazil, lower international hydrocarbon prices and lower international prices of minerals which resulted in a contraction of the mineral sector, which in 2015 decreased by 1.4%. Taking into account only domestic demand, GDP in 2015 would have grown by 5.0%, while external demand in 2015 contracted by 0.1%, compared to domestic demand growth of 7.1% and external demand contraction of 1.6% in 2014. The increases in domestic demand in 2015 were primarily the result of increased household consumption and public and private investment.

The petroleum and natural gas sector accounted for 6.7% of real GDP in 2015, 7.2% in 2014 and 7.1% in 2013. In 2015, the petroleum and natural gas sector contracted by 1.4%, compared to growth of 5.7% in 2014 and growth of 14.0% in 2013. The decrease in 2015 was primarily due to a decrease in gas prices, lower petroleum prices and reduced demand from Brazil as a result of the economic recession in Brazil. The minerals sector accounted for 5.0% of real GDP in 2015, 5.3% in 2014 and 5.3% in 2013. In 2015, the mining sector declined by 1.4%, after growing by 6.0% in 2014 and by 2.9% in 2013. The decrease in the mining sector in 2015 was primarily the result of a decrease in copper, lead, gold, zinc, silver and antimony production due to low international prices of these minerals and the global economic slowdown, which reduced demand generally for these metals, which, in turn, reduced incentives to produce these metals. The increase in 2014 was primarily the result of an increase in copper, gold, zinc, tin and silver mining production. Despite decreases in mining production, Bolivian economic growth remains resilient due to strong domestic demand and responsible fiscal policies.

External Economy

After nine years of surpluses in the balance of payments, both the current account and the capital and financial account balances recorded a deficit in 2015. Net international reserves held by the Central Bank decreased from U.S.\$14,430.1 million and U.S.\$15,122.8 million in 2013 and 2014, respectively, to U.S.\$13,055.9 million in 2015, representing 39.3% of Bolivian GDP, and declined further to U.S.\$10,081 million in 2016, a decrease of 22.8% as compared to 2015 due to decreased revenues from the hydrocarbons and mining sectors.

The current account balance decreased from a surplus of U.S.\$749.1 million in 2013 to a surplus of U.S.\$19.5 million in 2014, and became a deficit of U.S.\$1,923.3 million in 2015. During the first three months of 2016, the current account deficit was U.S.\$541 million compared to U.S.\$473 million during the first three months of 2015. The capital and financial account rose from a deficit of U.S.\$176.9 million in 2013 to a deficit of U.S.\$108.9 million in 2014, but declined to a deficit of U.S.\$734.4 million in 2015. We believe the current account deficit to be fiscally responsible because it is significantly driven by the use of our cash resources to fund our significant public investments. The current account deficit is also due to the fall in prices of our main export products. Further, between 2006 and 2015 we obtained, on average, the most favorable results in the region for average current account as a percentage of GDP.

Average Current Account/GDP (2006-2015)

Country	Average Current Account/GDP (2006 – 2015)
Bolivia.....	4.7%
Venezuela.....	3.5%
Paraguay.....	0.9%
Ecuador.....	0.4%
Argentina.....	0.3%
Chile.....	(0.3)%
Peru.....	(2.0)%
Brazil.....	(2.2)%
Uruguay.....	(3.2)%
Colombia.....	(3.3)%

Source: World Economic Outlook, October 2016.

Our overall balance of payments declined from a surplus of U.S.\$1,121.6 million in 2013, to a surplus of U.S.\$970.9 million in 2014, to a deficit of U.S.\$1,643.2 million in 2015 and to a deficit of U.S.\$876 million during the first three months of 2016 (compared to a surplus of U.S.\$75 million for the first three months of 2015). The decrease in the overall balance of payments in 2014 is primarily due to a U.S.\$510.9 million absolute value change in the errors and omissions account, and the decrease in 2015 was primarily due to a deficit in the trade balance and an increase in assets held abroad by the private sector. Exports in 2016 totaled U.S.\$7,065 million, a decrease of 14.9% as compared to U.S.\$8,302.4 million during 2015. Exports in 2015 decreased 32.53% as compared to U.S.\$12,305.8 million in 2014. These decreases were due to lower international prices for our main exports, hydrocarbons and minerals.

Hydrocarbon exports, which accounted for 47.85% of total exports in 2015, reached U.S.\$3,972.7 million in 2015, a decrease of 40.0% as compared to U.S.\$6,623.6 million in 2014. This decrease was primarily the result of lower prices for natural gas and petroleum exports. Natural gas prices decreased in 2015, to an average of U.S.\$6.2 per million British thermal units (“BTUs”) for natural gas exported to Argentina and U.S.\$5.9 per million BTUs for natural gas exported to Brazil, representing decreases of 27.5% and 25.0%, respectively, as compared to average prices in 2014. The volume of natural gas exported to Argentina was 5,745.0 million cubic meters in 2015, an increase of 0.21% as compared to 5,733.0 million cubic meters in 2014. The volume of natural gas exports to Brazil, which is our largest market for natural gas sales, was 11,587.0 million cubic meters in 2015, a decrease of 2.43% as compared to 11,875.0 million cubic meters in 2014, which was primarily the result of lower demand from Brazil, as a result of the economic recession in Brazil.

Imports decreased in 2015 due to the substitution of imported hydrocarbons with hydrocarbons produced domestically, as well as a reduction in demand for imported construction materials. Imports totaled U.S.\$8,418 million in 2016, a decrease of 13.1% as compared to U.S.\$9,686.2 million in 2015. Imports in 2015 decreased 8.9% as compared to U.S.\$10,631.6 million in 2014. Of the total imports in 2015, 77.2% were accounted for by capital goods, intermediate goods and raw materials for the expansion of economic production capacity and 22.8% were accounted for by the purchase of consumer goods.

Net foreign direct investment averaged U.S.\$915.25 million between 2010 and 2015, compared to U.S.\$227.5 million between 2004 and 2009. In 2015, net foreign direct investment decreased to U.S.\$503.4 million, from U.S.\$647.8 million in 2014 and U.S.\$1,749.6 million in 2013, due in part to the nationalization of certain enterprises and compensation we have paid in connection with such nationalization. This decrease was principally directed to the hydrocarbon, mining and industry sectors, which accounted for 65.0%, 17.0% and 2.6% of total gross foreign direct investment, respectively, in 2015. Net foreign direct investment has contracted from 3.4% of GDP in 2010 to 1.5% of GDP in 2015.

Gross foreign direct investment in the hydrocarbon sector reached U.S.\$688.9 million in 2015, a decrease of 49.0% as compared to 2014, while gross foreign direct investment in the mining and industrial sectors reached U.S.\$180.0 million and U.S.\$27.6 million, respectively, in 2015, representing decreases of 13.1% and 93.5%,

respectively, from 2014. These decreases were due to the decline in international hydrocarbon prices, which resulted in lower investments in this sector globally.

Monetary System

In 2015, 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 expansionary trend in 2015.

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 2015, the borrowing interest rates of the financial system in national currency were generally below those recorded in 2014. This decrease was primarily the result of a reduction in monetary policy rates and the availability of greater resources for financial institutions, due to an expansive monetary policy that allowed for greater liquidity, mainly through the maturity of certain monetary instruments of the Central Bank. However, interest rates for foreign currency deposits declined slightly in 2015 to the same levels as those for domestic currency, which encouraged savings in bolivianos.

The twelve-month inflation rate as of December 31, 2016 was 4.0% compared to 3.0% as of December 31, 2015, 5.2% as of December 31, 2014 and 6.5% as of December 31, 2013. In 2015, we obtained the highest GDP growth rate and the lowest inflation rate in South America.

The Financial Services Law (*Ley de Servicios Financieros*) enacted in August 2013, and its regulatory decrees, set the maximum interests rates between 5.5% and 6.0% for loans to acquire public housing. Similarly, this law and its regulations set maximum rates between 6.0% and 11.5% for loans to the manufacturing sector in order to encourage private investment. These measures were accompanied by favorable results of operations for the financial sector, which experienced return on equity of 13.4 in 2015, 15.6 in 2014 and 13.3 in 2013. In addition, asset quality remains good and the lending default rate in 2015 was 1.5%.

Public Finances

After 66 years of fiscal deficits, in 2006, the first year of President Evo Morales’s administration, the government improved Bolivian fiscal accounts, resulting in the generation of new and higher revenues, mainly due to the recovery of the hydrocarbon sector between 2006 and 2013, which, together with the austerity policy in force between 2006 and 2013, generated fiscal surpluses.

After eight consecutive years of fiscal surpluses, in 2014 and 2015 Bolivia recorded non-financial public sector deficits of Bs.7,669.2 million and Bs.15,662.1 million, respectively, due to a more active role of the Government in the economy, expanding public investment and implementing income redistribution policies intended to maintain the momentum of economic growth. The non-financial public sector registered a deficit equivalent to 6.7% of GDP in 2016, while in 2015, the non-financial public sector deficit reached Bs.15,662.1 million, or 6.9% of GDP, as a result of a decrease in hydrocarbons revenues due to lower petroleum prices, deficit balances for regional governments and the General National Treasury, and increased capital expenditure by state-owned companies aimed at boosting industrial development and economic growth.

The largest public expenditures in 2014 and 2015 were financed with resources from the surpluses obtained in previous years (between 2006 and 2013 we had an average fiscal surplus of 2% of GDP) and with internal and external debt.

Between 2006 and 2015, revenue has increased by Bs.75,111.2 million. However, revenue in 2015 was Bs.109,041.4 million, a decrease of 7.02% as compared to Bs.117,277.5 million in 2014, primarily due to a 7.78% decrease in current revenue in 2015, in turn due primarily to a decrease in hydrocarbon sales. Of total revenue in 2015, 35.93% was derived from hydrocarbon sales and 43.22% was derived from non-hydrocarbon taxes. Total expenditures in 2015 reached Bs.124,703.5 million, a decrease of 0.19% as compared to Bs.124,946.7 million in 2014, primarily due to a 9.26% decrease in capital expenditures and a 9.44% decrease in expenditures in goods and services.

The 2016 Government Budget is expansive and highlights the active role of the government in the economy, without restrictions for social benefits, such as payments under the Dignity Pension program, the Juancito Pinto cash transfer program or the Juana Azurduy Voucher program. The 2016 Government Budget also promotes investment in state enterprises. Consolidated non-financial public sector revenue is budgeted at Bs.152,067.7 million (or U.S.\$22,167.3 million), Bs.145,097.5 million (or U.S.\$21,151.2 million) of which is current revenue and Bs.6,970.2 million (or U.S.\$1,016.1 million) of which is capital revenue. Non-hydrocarbon tax revenue and hydrocarbon sales revenue for 2016 were budgeted at Bs.49,536.0 million (or U.S.\$7,221.0 million) and Bs.43,331.5 million (or U.S.\$6,316.5 million), respectively, and represented 34.1% and 29.9% of budgeted current revenues, respectively. Following the budgetary policy we have maintained since 2006, we budgeted a Bs.11,818.5 million deficit for the consolidated non-financial public sector in 2016 as a result of a set of what we believe to be conservative revenue assumptions, including relatively low prices for hydrocarbons of U.S.\$45.16 per barrel of oil. Despite budgeted deficits, we have recorded fiscal surpluses at the end of each fiscal year since 2006, driven by growing tax collection and controlled spending, other than in 2014, 2015 and 2016, when we recorded deficits of 3.4%, 6.9% and 6.7%, respectively, due the Government's increasingly more active role in the economy through increased public investment and income redistribution policies and lower hydrocarbon revenues. Consolidated non-financial public sector expenditures for 2016 were budgeted at Bs.163,886.3 million (or U.S.\$23,890.1 million), with Bs.116,895.6 million (or U.S.\$17,040.2 million) budgeted for current expenditures and Bs.46,990.8 million (or U.S.\$6,850.0 million) budgeted for capital expenditures. Goods and services expenditures and personal services expenditures for 2016 were budgeted at Bs.39,788.8 million (or U.S.\$5,800.1 million) and Bs.35,831.6 million (or U.S.\$5,223.3 million), respectively, and represent 34.0% and 30.7% of budgeted current expenditures, respectively.

The 2017 General Budget (Presupuesto General del Estado – “PGE”) focuses on the following areas: (i) the use of natural resources, generation of surpluses and redistribution of resources to sectors that generate income and employment; (ii) reduction of poverty, inequality and creation of opportunities, with certain objectives targeted for Bolivia's Bicentennial anniversary in 2025; (iii) strengthening the productive sector and consolidating industrialization through investment projects within the framework of the Economic and Social Development Plan – PDES 2016-2020 and the 2025 Patriotic Agenda; and (iv) providing resources for subsidies for food, hydrocarbons, basic services and conditioned transfer programs (Juancito Pinto Bonus, Dignity Rent, Juana Azurduy de Padilla Bonus and Universal Subsidy for Life) and other social interest programs. 2017 Budget contemplates a deficit of 7.8% of GDP.

Public Sector Indebtedness

One of the objectives of our public debt policy is the sustainability of public debt and the allocation of debt resources to finance public investment projects in strategic sectors of the economy. As of December 31, 2016, our total outstanding public debt was U.S.\$11,838.0 million, compared to U.S.\$11,244.2 million as of December 31, 2015. Total outstanding public debt as of December 31, 2015 represented a decrease of 8.4% compared to U.S.\$12,271.6 million as of December 31, 2014.

Our gross public debt (domestic and external) has decreased significantly in 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 since 2000. In 2000, our total public debt balance was composed of 20% domestic debt and 80% external debt. This was substantially reversed in 2015 as domestic debt increased to 43.6% of total public debt and external debt decreased to 56.4% 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 current long-term foreign- and local-currency sovereign credit rating from Standard & Poor's is BB, our foreign currency government bond rating from Moody's is Ba3 and our foreign and national currency Issuer Default Rating ("IDR") by Fitch Ratings is BB-.

Our credit ratings from Standard & Poor's, Moody's, and Fitch Ratings have generally improved in 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 BB- on May 31, 2013, a BB on June 11, 2014 and a BB on May 18, 2015. Moody's assigned a foreign currency government bond rating of B3 on April 16, 2003, Ba3 on August 8, 2013, Ba3 on October 30, 2014 and Ba3 on October 16, 2015. Our foreign and national currency IDR by Fitch Ratings on March 17, 2004, was B-, it increased to BB- on October 9, 2013, BB- with positive outlook on August 12, 2014 and BB on July 15, 2015. However, in 2016, Moody's and Fitch Ratings lowered their outlook and credit ratings, respectively. On June 10, 2016, Moody's cut the outlook of our bond ratings from Ba3 to Ba3 negative due to persistent fiscal and balance-of-payment pressures as a result of Bolivia's widening fiscal and current account deficits and lack of fiscal adjustment measures to compensate for lower hydrocarbon revenues. On July 13, 2016, Fitch Ratings downgraded our IDR from BB to BB- with a stable outlook due to the weaker gas price outlook and the Government's policy response, which resulted in fiscal and external deficits. 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, 2016 was U.S.\$7,221.6, an increase of 13.89% as compared to U.S.\$6,340.8 million as of December 31, 2015. The total public external debt due as of December 31, 2015 represented an increase of 10.5% as compared to U.S.\$5,736.2 million as of December 31, 2014. All public external debt due is medium- and long-term (i.e., a maturity of two or more years). Medium- and long-term public external debt disbursements in 2015 totaled U.S.\$1,031.9 million, an increase of 36.0% compared to U.S.\$758.9 million in 2014. We had no guaranteed public external debt as of December 31, 2015.

Proceeds from Bolivia's sovereign bonds issued in the international capital markets during 2012 and 2013 have been invested in the expansion of the national highway network and improving highway infrastructure, as shown in the table below:

Projects Funded with 2012 and 2013 Sovereign Bonds

No.	Project	Benefited Department	Amount (in millions of U.S.\$)
1	Two-way road construction Caracollo – Confital	Oruro-CBBA	172.5
2	Two-way bridge construction Ichilo – Ivirgarzama.....	CBBA – Santa Cruz	138.9
	Highway construction Revelo – Llallagua, highway construction	La Paz – Potosi –	
3	Ravelo – Sucre, and paving section Santa Barbara – Quiquibey	Chuq.	118.7
4	Highway construction between Rios Palos Blancos	Tarija	84.0
5	Highway construction San Ignacio – Puerto Ganadero	Beni	81.0
6	Highway Porvenir – El choro, section Puente Rico – El Sena.....	Pando	77.9
7	Two-way road construction Rio Seco – Huarina	La Paz	60.9
8	Highway construction Turco Cosapa – Cruce Ruta F4.....	Oruro	49.4
9	Two-way road construction Huarina – Tiquina	La Paz	40.3
10	Madre de Dios bridge construction.....	Pando	29.9
11	Two-way road construction Huarina – Achacachi.....	La Paz	24.0
12	Second cross construction Rio Seque – La Cumbre La Paz	La Paz	21.9
13	Rurrenabake bridge construction	Beni – La Paz	20.0
14	Beni 2 bridge construction	Beni – Pando	19.1
15	Ciudad de Huanuni bypass construction	Oruro	11.4
16	Ipurupuru – Machupo I and II building construction.....	Beni	8.1
	Productive infrastructure and social projects (La Paz Department		
17	bridges)	La Paz	5.1
	Construction of 46 bridges in productive areas of Trópico		
18	de Cochabamba.....	CBBA.	6.0
19	Mineros bridge.....	Santa Cruz	4.5

Projects Funded with 2012 and 2013 Sovereign Bonds

No.	Project	Benefited Department	Amount (in millions of U.S.\$)
20	Other	Several	27.3
Total:			1,000.0

As a result of GDP growth, and growth in exports and reserves, our medium- and long-term external debt ratios have generally improved since 2006. We consider the following ratios to be the most important factors in analyzing debt sustainability: 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, 2015, our medium- and long-term external debt service-to-exports ratio was 5.6%, an increase from 2.7% as of December 31, 2014, our balance of medium- and long-term external debt-to-exports ratio was 66.9%, an increase from 42.4% as of December 31, 2014, and our balance of medium- and long-term external debt to GDP ratio was 19.0%, an increase from 17.3% as of December 31, 2014.

Our net international reserves to public external debt service ratio decreased from 41.2 as of December 31, 2014, to 24.8 as of December 31, 2015. As of December 31, 2016, our net international reserves held by the Central Bank were U.S.\$10,081 million.

Since 2006 our external debt indicators have remained at levels that we consider adequate to confirm the sustainability of our external debt, and which are below the reference limits set by international financial institutions such as the IMF and the World Bank.

Principal Industrialization and Diversification Projects

Hydrocarbon Sector

In 2011, we began construction of the Rio Grande Liquid Separators (Santa Cruz) Plant and in 2012, we began the construction of the Gran Chaco “Carlos Villegas Quiroga” (Tarija) Plant designed to separate liquefiable surplus contained in the natural gas destined to Brazil and Argentina, and to increase the production of liquefied petroleum gas (LPG) and natural gas.

The Rio Grande Liquid Separators Plant began operations in May 2013, and allowed us to meet the domestic demand for LPG. It also allowed us to halt the export of rich gas to Brazil and to generate fuel surpluses for fuels that were exported to neighboring countries. The construction of the Gran Chaco “Carlos Villegas Quiroga” Liquids Separation Plant was completed in August 2015 and required a total investment of U.S.\$694 million. This facility is one of the largest in South America and, once production reaches maximum capacity, production is expected to be at least five times greater than production levels at the Rio Grande Plant.

We also expect the construction of the Liquefied Natural Gas Plant (LNG) in the municipality of Cabezas, department of Santa Cruz, to have significant social and economic impact. With the construction of this plant, at an investment of U.S.\$198 million, we expect to supply natural gas to 60 remote villages of the country that are currently inaccessible via pipeline distribution. In February 2016, we entered into a memorandum of understanding with Brazil pursuant to which we agreed to continue the sale and purchase of natural gas and to deliver Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG) to the Brazilian market.

Mining Sector

Among other major projects for the mining sector, we completed the installation of the “Ausmelt type Smelting Furnace” in September 2015, at an investment of U.S.\$40 million. This facility produces ingots of metallic tin and in the medium-term we expect to increase our annual tin production from 12,000 tin fine metric tons (TMF) to 18,000 tin TMF. This furnace is the largest technological renovation undertaken by Empresa Metalurgica Vinto, and is the world’s fourth largest smelter, after two smelters in China and one in Peru.

We continue to promote the industrialization of evaporite resources, including lithium carbonate and potassium salts, initiating Phase II: Integral Development of the brine of the Uyuni Salt Flat (*Salar de Uyuni*) Industrial Plant, in order to achieve industrial production of lithium carbonate and potassium salts. In August 2015, we entered into a contract with the German company K-UTEC AG Salt Technologies for the final design of the construction of an industrial lithium carbonate plant.

In November 2015, the Mining Corporation of Bolivia (*Corporación Minera de Bolivia – COMIBOL*) and the French company ECM Green Tech, entered into an administrative agreement for the installation of a pilot plant and a research project for cathode materials in the industrial complex of La Palca.

On October 24, 2016, Law No. 845 introduced certain changes in the Mining Law, including the return to the state of those areas where mining cooperatives have agreements with national or foreign companies. On January 22, 2017, pursuant to Supreme Decree No. 3058, the National Strategic Public Company for Evaporite Resources (*Empresa Pública Nacional Estrategica de Recursos Evaporiticos*) was created with the objective of furthering the lithium industrialization projects carried out by COMIBOL.

Electricity Sector

We have earmarked significant financial resources for the construction and implementation of projects for electricity generation that will allow us to generate additional electricity surplus that can be exported to neighboring countries, providing new financial resources with the aim of positioning Bolivia as the region's energy center. By 2020, we plan to deploy approximately six combined cycles (combined use of two turbines: gas and steam) in existing thermoelectric plants to add 1,096 MW generating capacity, build and operate five new hydroelectric plants (Miguillas, Ivirizú, San Jose, Banda Azul and Misicuni) and develop thirteen alternative energy projects using wind, biomass, geothermal and solar energy generation technologies .

Since 2006, we have completed several electricity generation projects, including eight thermoelectric plants (Carrasco, Entre Rios, Valle Hermoso, Moxos, two for Central Kenko, Bulo Bulo, South Warnes), Phase I of the Misicuni hydroelectric project and the implementation of alternative energy projects such as the Qollpana phase I and phase I wind projects and a solar plant in Cobija.

RECENT DEVELOPMENTS

Estimated GDP growth for 2016 is 4.3%, compared to a 4.8% growth for 2015. Estimated GDP per capita in 2016 was U.S.\$3,056, compared to U.S.\$3,071 and U.S.\$1,037 in 2015 and 2005, respectively, representing a 194.7% increase since 2005. Moreover, in 2016, Bolivia maintained low levels of unemployment, registering a 4.1% unemployment rate in the third quarter of 2016, as a consequence of the important public investment programs that reached U.S.\$5,948 million in 2016.

Balance of payments recorded a deficit of U.S.\$876 million during the first three months of 2016, compared to a surplus of U.S.\$75 million during the same period in 2015. The decrease in the overall balance of payments was principally accounted for by a decrease in the capital and financial account, which registered a deficit of U.S.\$327 million during the first three months of 2016 as compared to a surplus of U.S.\$166 million during the same period in 2015, which was primarily the result of a decrease in other capital and net foreign direct investment. The current account balance recorded a deficit of U.S.\$541 million during the first three months of 2016, a decrease of 14.4% as compared to a deficit of U.S.\$473 million during the same period in 2015, this was primarily the result of a decrease in natural gas exports due to lower petroleum prices. See “The External Economy—Balance of Payments.”

Exports in 2016 totaled U.S.\$7,065 million, a decrease of 14.9% as compared to U.S.\$8,302.4 million during 2015 due to lower international prices for our main exports, hydrocarbons and minerals. Imports totaled U.S.\$8,418 million in 2016, a decrease of 13.1% as compared to U.S.\$9,686.2 million in 2015 due to the substitution of imported hydrocarbons with hydrocarbons produced domestically, as well as a reduction in demand for imported construction materials. The trade balance in 2016 was U.S.\$(1,353) million, an increase of 2.2% as compared to U.S.\$(1,383.8) million in 2015. See “The Bolivian Economy—Foreign Trade—Imports and Exports.”

Total net international reserves were U.S.\$12,511 million as of December 31, 2016, compared to U.S.\$15,672.1 million as of December 31, 2015. Total net international reserves held by the Central Bank were U.S.\$10,081 million as of December 31, 2016, a decrease of 22.8% as compared to U.S.\$13,055.9 million as of December 31, 2015 due to decreased revenue from the hydrocarbons and mining sectors.

Deposits in the financial system were U.S.\$22,462 million as of December 31, 2016, while financial system loans were U.S.\$19,898 million as of December 31, 2016. As of December 31, 2016, the percentage of deposits and credits denominated in national currency were 84.9% and 97.0%, respectively. The twelve-month inflation rate as of December 31, 2016 was 4.0%. The inflation rate for the month of January 2017 was 0.10%.

The non-financial public sector registered a deficit equivalent to 6.7% of GDP in 2016, comparable to a deficit equivalent to 6.9% of GDP in 2015, due to increasing deficits at government-owned enterprises which reached 3.3% in 2016 compared to 2.4% in 2015.

Tax revenues for the year ended December 31, 2016 were Bs.53,753 million (U.S.\$7,836 million), compared to Bs.61,541 million (U.S.\$8,971 million) for the year ended December 31, 2015.

Public investments for the year ended December 31, 2016 were US\$5,065 million, compared to US\$4,892 million for the year ended December 31, 2015.

As of December 31, 2016, our total outstanding public debt was U.S.\$11,838.0 million, compared to U.S.\$11,244.2 million as of December 31, 2015. Total public domestic debt was U.S.\$4,616.4 million as of December 31, 2016, compared to U.S.\$4,904.0 million as of December 31, 2016. Directly issued public domestic debt increased by 5.1% in 2016, from U.S.\$4,112.1 million as of December 31, 2015 to U.S.\$4,321.5 million as of December 31, 2016. Total public external debt was U.S.\$7,221.6 million as of December 31, 2016, an increase of 13.89% as compared to U.S.\$6,340.8 million as of December 31, 2015, all of which corresponded to our medium- and long-term public external debt since we have no short-term public external debt.

Coca cultivation decreased by approximately 1% in Bolivia in 2015, according to the 2015 national coca monitoring survey by the United Nations Office on Drugs and Crime and Bolivia. In 2015, the area under cultivation stood at approximately 20,200 hectares, down from the previous year's figure of approximately 20,400 hectares. This decline continues the downward trend noted since 2011, when cultivation decreased by 12%. Satellite images and ground surveys recorded declines in two of the three largest coca-producing regions. Yungas de La Paz,

responsible for just over two thirds of Bolivia's coca cultivation, experienced a 1% reduction to 14,000 hectares; Cochabamba Tropics, which accounts for a nearly a third of coca cultivation, registered a 2% reduction to 6,000 hectares; and the northern provinces of La Paz, responsible for 1% of cultivation, experienced a 15% increase to 150 hectares. On March 8, 2017, President Morales enacted the General Coca Law setting the legal cultivation of the coca leaf at 22,000 hectares.

We believe that state-owned companies must be efficient and profitable and that the operations of any state-owned company operating at a loss should be terminated. Accordingly, during 2016, we ceased operations at Enatex, a state-owned company that experienced significant financial problems. Nonetheless, we continue to operate a number of successful state-owned companies, such as ENDE (in the energy sector), YPFB (in the hydrocarbon sector), ENTEL S.A. (in the communications sector), BOA (the state-owned airline) and EBA (in the foods sector).

In 2016, Moody's and Fitch Ratings lowered their outlook and credit ratings, respectively, for Bolivia. On June 10, 2016, Moody's cut the outlook of our bond ratings from Ba3 to Ba3 negative due to persistent fiscal and balance-of-payment pressures as a result of Bolivia's widening fiscal and current account deficits and lack of fiscal adjustment measures to compensate for lower hydrocarbon revenues. On July 13, 2016, Fitch Ratings downgraded our IDR from BB to BB- with a stable outlook due to the weaker gas price outlook and the Government's policy response, which resulted in fiscal and external deficits.

Regarding our international relations, in December 2015, Brazil appointed a new ambassador to Bolivia and, in May 2016, we appointed our new ambassador to Brazil. The appointment followed more than two years without an ambassador due to the resignation of the Brazilian ambassador after Senator Roger Pinto was offered refuge in the Brazilian Embassy when he sought asylum in Brazil. Also, in August 2016, the Foreign Minister of Iran visited our country as part of his Latin American tour, aiming to foster relations in the region. In November 2016, we held a Binational Presidential and Cabinet meeting with Peru and signed 13 agreements of exchange and cooperation to strengthen bilateral relations. See "Bolivia—International Relations."

Concerning our political system, on February 21, 2016, we held a referendum to determine whether article 168 of our Constitution should be amended to allow for the President and Vice President to be elected for two consecutive terms, and the proposal was rejected by 51.3% of those voting in the referendum. The ruling party, Movement for Socialism (*Movimiento al Socialismo*), is currently considering alternatives in connection with a potential re-election run by the President. See "Bolivia—Political and Legal System—Elections."

In the environmental sector, in February 2016, we received reports that the Lake Poopó had dried up, mainly due to higher temperatures and the diversion of waters for agricultural purposes. In October 2016, the Government signed a contract for the rehabilitation of Lake Titicaca and the European Union donated U.S.\$8 million in order to decontaminate the Katari basin through a comprehensive program that includes sanitation, wastewater treatment, solid waste treatment and support of sustainable services. See "Bolivia—Environment." In November 2016, the levels of the dams that supply water to the La Paz area fell significantly as a result of droughts experienced in the region. As a consequence, some neighborhoods of La Paz suffered water shortages. Following the recent increase in rain and governmental investments to optimize the water supply, the water levels of the dams have significantly improved and the water supply to the La Paz region has been restored to near normal levels. See "Bolivia—Environment" and "The Bolivian Economy—Principal Sectors of the Economy—Electricity, Water and Gas."

In the hydrocarbon sector, in February 2016, we entered into a memorandum of understanding with Brazil pursuant to which we agreed to continue the sale and purchase of natural gas and to deliver Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG) to the Brazilian market. See "Bolivia—International Relations—Relationship with Other Latin American Countries and the Caribbean—Brazil." We also entered into an oil services agreement with Brazil in November 2016, covering the San Telmo and Astillero areas for a 40-year term. See "The Bolivian Economy—Principal Sectors of the Economy—Petroleum and Natural Gas." On October 27, 2016, YPFB authorized the payment of a fine of U.S.\$2.1 million to ENARSA under the delivery or pay section of the purchase and sale agreement between YPFB and ENARSA due to our failure to meet the minimum natural gas delivery requirements under the agreement as a result of decreases in our production of natural gas.

On October 24, 2016, Law No. 845 introduced certain changes in the Mining Law, including the return to the state of those areas where mining cooperatives have agreements with national or foreign companies. On January 22, 2017, pursuant to Supreme Decree No. 3058, the National Estrategic Public Company for Evaporite Resources

(*Empresa Pública Nacional Estrategica de Recursos Evaporiticos*) was created with the objective of furthering the lithium industrialization projects carried out by COMIBOL. See “The Bolivian Economy—Principal Sectors of the Economy—Minerals.” There is currently a proposal before the Plurinational Legislative Assembly for the creation of the public company denominated “Yacimientos de Litio Bolivianos,” with the purpose of developing the lithium industry. If this proposal is approved, this new entity will replace the National Estrategic Public Company for Evaporite Resources.

In the tax and customs sector, we amended the Tax Code (*Código Tributario*) in June 2016 to benefit taxpayers with outstanding tax debts by establishing beneficial treatment and flexible payment schedules for fines and interest on tax liabilities. See “Public Finance—Taxes.” Also, in accordance with Supreme Decree No. 2860 of August 2, 2016, we started applying a 0% tariff on imports of seeds, machinery, equipment, and other raw materials necessary for the agricultural sector. The tariff will apply for a term of five years. See “The External Economy—Foreign Trade—Import Tariffs.”

In the financial sector, on June 14, 2016, the Central Bank approved a new reserve requirement that establishes the reserve requirement for deposits in national currency, including in *Unidades de Fomento de Vivienda* (“UFVs”) and the bolivianos tied to the U.S. dollar (“MVDOL”). See “The Monetary System—Central Bank—Reserve Requirements.” We also eliminated the comparison base in mid-August 2016 which establishes that all deposits in foreign currency are subject to reserve requirements. See “The Monetary System—Monetary and Finance Sector—Deposits, Loans, and Bolivianization.” On February 2017, the Ministry for Economy and Public Finances proposed an increase of 3% to the tax currently imposed on financial sector profits, from the current rate of 22% to a rate of 25%. The proposal is currently before the Plurinational Legislative Assembly.

On March 9, 2016, Law No. 786 adopting the Plan for Economic and Social Development (*Plan de Desarrollo Económico y Social*) was enacted. The plan sets forth the strategic framework and the prioritization of goals, objectives and actions to be undertaken by 2020, in order to strengthen the process of transformation for the country’s industrial network, promote greater economic diversification, and strengthen the factors that will allow Bolivia to become a center for regional energy generation and a center of regional highway integration.

The 2017 General Budget (Presupuesto General del Estado – “PGE”) focuses on the following areas: (i) the use of natural resources, generation of surpluses and redistribution of resources to sectors that generate income and employment; (ii) reduction of poverty, inequality and creation of opportunities, with certain objectives targeted for Bolivia’s Bicentennial anniversary in 2025; (iii) strengthening the productive sector and consolidating industrialization through investment projects within the framework of the Economic and Social Development Plan – PDES 2016-2020 and the 2025 Patriotic Agenda; and (iv) providing resources for subsidies for food, hydrocarbons, basic services and conditioned transfer programs (Juancito Pinto Bonus, Dignity Rent, Juana Azurduy de Padilla Bonus and Universal Subsidy for Life) and other social interest programs.

The 2017 Budget is based on the following forecast of the 2017 Bolivian economy:

- *GDP*: Bs.267,059 million
- *Real GDP growth*: 4.80%
- *Inflation (end of period)*: 5.03%
- *Sell foreign exchange rate (end of period)*: Var. ± 10
- *Price of barrel of oil*: U.S.\$45.24 per barrel.

On February 14, 2017, the Minister for Economy and Public Finances and the President of the Central Bank subscribed to the Fiscal Finance Program for 2017. This program focuses on economic growth, poverty reduction and macroeconomic stability. The 2017 Fiscal Finance Program sets as targets a GDP growth of 4.7%, an inflation rate of 5.0% and a fiscal deficit of approximately 6.5% of GDP. The 2017 Fiscal Finance Program is intended to define Bolivia’s macroeconomic goals and does not override the 2017 General Budget as discussed above.

The 2017 General Budget contemplates aggressive public investment with the goal of achieving sustained economic growth and a fiscal deficit of 7.8%, which we consider fiscally responsible because it is due to increased

public investment in the economy. Below is a chart detailing the main public investment projects that are under consideration for 2017.

	Project Description	Millions of U.S.\$	%	Executing Entity
1	Rio Grande Rositas Hydroelectric Plant	202.9	3.3	ENDE
2	Brine of the Uyuni Salt Flat (<i>Salar de Uyuni</i>) – Industrial Plan	194.2	3.1	COMIBOL
3	Sur Tarija Thermoelectric Plant.....	185.2	3.0	ENDE
4	Warnes – Santa Cruz Thermoelectric Plant combined cycles construction and equipment	120.6	1.9	ENDE
5	Implementation of a sectorial program to support national education infrastructure	115.7	1.9	Ministry of Presidency
6	Entre Rios Cochabamba Thermoelectric Plant – construction and equipment	106.1	1.7	ENDE
7	Rurrenabake – Riberalta highway.....	105.9	1.7	Administradora Boliviana de Carreteras
8	Santa Cruz – Trinidad highway rehabilitation and compliance of standards (CRECE)	102.7	1.7	Administradora Boliviana de Carreteras
9	Cable transportation construction and implementation – La Paz y El Alto (phase II) cable cars.....	102.4	1.7	Empresa Estatal de Transporte por Cable “Mi teleférico”
10	Hydrocarbon exploration and exploitation equipment	87.5	1.4	YPFB
11	Ivirizu hydroelectric generation plant	87.2	1.4	ENDE
12	San Jose hydroelectric power station	86.0	1.4	ENDE
13	Air defense and air traffic control integrated system (SIDACTA) implementation.....	85.8	1.4	Ministry of Defense Ministry of Public Works, Services and Housing
14	Implementation of based radio communication phase II	76.9	1.2	Ministry of Presidency
15	Implementation of the program to support sports infrastructure.....	76.7	1.2	Administradora
16	Epizana – Comarapa road section rehabilitation and reconstruction	68.8	1.1	Boliviana de Carreteras
17	Oruro solar generation – phase I.....	68.7	1.1	ENDE
18	Urea – Amoniaco de Carrasco plant	58.6	0.9	YPFB
19	Cement plant for the department of Oruro.....	53.5	0.9	Servicio de Desarrollo de las Empresas Públicas Productivas
20	Nuclear technology research and development facility and associated laboratories construction and implementation	52.5	0.8	Bolivian Agency of Nuclear Energy Ministry of Public Works, Services and Housing
21	Montero – Bulo Bulu rail road.....	51.8	0.8	Administradora
22	Caracollo – Confital double track road	49.4	0.8	Boliviana de Carreteras
23	El Alto hospital.....	46.8	0.8	Caja Nacional de Salud
24	Propylene Polypropylene Plant construction in the provinces of Gran Chaco – Tarija	45.2	0.7	YPFB
25	Yapacani – Puente Ichilo double track bridge	44.7	0.7	Administradora Boliviana de Carreteras
26	Puente Ichilo – Ivirgarzama double track bridge	44.6	0.7	Administradora
27	Construction of the transmission lines for the southern energy ring	43.9	0.7	Boliviana de Carreteras ENDE
28	Santa Cruz – Warnes double track road (east side).....	43.4	0.7	Administradora Boliviana de Carreteras
29	Montero – Yapacani double track road.....	38.3	0.6	Administradora Boliviana de Carreteras
30	Zudañez – Padilla – Monteagudo – Ipati highway.....	36.9	0.6	Administradora Boliviana de Carreteras
	Sub total.....	2,483.1	40.1	
	Other projects	3,705.7	59.9	
	Total Public Investment on Projects – 2017	6,188.8	100	

On January 26, 2017, pursuant to the 14th General Review of Quotas approved by the IMF, Bolivia increased its quota in the IMF by SDR68.6 million from SDR171.5 million to SDR240.1 million.

SUMMARY INFORMATION

As of and For Year Ended December 31,

	2011	2012	2013	2014 ^(p)	2015 ^(p)
Demographic Characteristics(1)					
Total Population (million)	10.2	10.4	10.5	10.7	10.8
Average Annual Growth (%).....	1.6	1.6	1.5	1.5	1.5
Infant Mortality Rate(2) (per 1,000 live births)	40.2	41.2	38.8	36.5	34.3
Average Life Expectancy(2) (age).....	68.1	69.2	69.9	70.6	71.3
Moderate Poverty(3) (%).....	45.1	43.3	38.9	39.1	38.6
Extreme Poverty(4) (%).....	21.0	21.6	18.7	17.2	16.8
Bolivian Economy					
Nominal GDP(5) (billions of Bs.)	166.2	187.2	211.9	228.0	228.0
Nominal GDP(5)(6) (billions of U.S.\$).....	24.1	27.3	30.9	33.2	33.2
Nominal GDP(5) per capita (Bs./person)	16,312.0	18,080.6	20,161.8	21,377.0	21,063.6
Real GDP(5)(7) (billions of Bs.)	34.3	36.0	38.5	40.6	42.5
Percent Change in Real GDP(5)(7)	5.2	5.1	6.8	5.5	4.8
Unemployment (%)	3.8	3.2	4.0	3.5	4.4
External Economy					
Average Annual Nominal Exchange Rate (Bs./U.S.\$)(8).....	6.89	6.86	6.86	6.86	6.86
Goods Balance (millions of U.S.\$).....	430.9	2,675.7	2,013.9	1,674.2	(1,383.8)
Of Which: Exports f.o.b. (millions of U.S.\$).....	8,358.2	11,254.0	11,697.7	12,305.8	8,302.4
Of Which: Imports c.i.f. (millions of U.S.\$).....	(7,927.3)	(8,578.3)	(9,683.8)	(10,631.6)	(9,686.2)
Current Account Balance (millions of U.S.\$).....	76.6	1,970.0	749.1	19.6	(1,923.3)
Net Foreign Direct Investment (millions of U.S.\$)	858.9	1,060.0	1,749.6	647.8	503.4
Of Which: Gross (millions of U.S.\$)	1,033.3	1,505.3	2,029.9	2,112.9	1,059.9
Errors and Omissions (millions of U.S.\$).....	1,106.8	(800.4)	549.3	1,060.2	1,014.5
Overall Balance of Payments (millions of U.S.\$)	2,160.0	1,711.6	1,121.6	970.9	(1,643.2)
Remittances (millions of U.S.\$)	1,012.3	1,094.3	1,181.8	1,163.6	1,178.4
Net International Reserves (millions of U.S.\$).....	13,195.7	15,348.7	16,085.2	17,285.2	15,672.1
Of Which: Central Bank (millions of U.S.\$)	12,018.5	13,926.7	14,430.1	15,122.8	13,055.9
Import Reserve Cover (months)	0.16	0.17	0.15	0.14	0.14
Net International Reserves/GDP.....	0.50	0.51	0.47	0.46	0.39
Monetary System					
Monetary Base Variation (%).....	28.2	16.5	6.0	18.7	16.8
M ³ (9) Variation (%).....	17.7	20.2	16.2	15.6	16.2
Public Deposits (millions of U.S.\$).....	10,642.6	12,753.3	14,798.2	17,419.6	20,830.8
Deposit Bolivianization (%)	63.8	71.7	77.2	80.7	82.7
Loan Portfolio (millions of U.S.\$).....	8,284.3	10,012.1	11,927.8	13,874.4	16,319.3
Credit Bolivianization (%).....	69.5	80.0	87.6	92.3	95.3
Nonperforming Loans (%).....	1.6	1.5	1.5	1.5	1.5
Average Real Lending Interest Rate for National Currency (%).....	(2.59)	3.09	1.97	2.15	3.40
Average Real Lending Interest Rate for Foreign Currency (%).....	(3.05)	2.57	1.66	1.53	3.12
Inflation (% change in Consumer Price Index).....	6.9	4.5	6.5	5.2	3.0
Public Finance					
Non-Financial Public Sector ("NFPS") Current					
Revenue (millions of Bs.)	74,240.1	86,736.8	103,026.5	116,530.6	108,180.9
Of Which: Taxes (millions of Bs.).....	29,433.5	34,198.1	39,974.0	45,279.4	47,130.0
Of Which: Hydrocarbon Taxes (millions of Bs.)....	2,475.0	2,447.9	2,891.3	3,024.4	3,076.8

	As of and For Year Ended December 31,				
	2011	2012	2013	2014 ^(p)	2015 ^(p)
Of Which: Hydrocarbon Sales (millions of Bs.) ... -	30,830.1	39,560.6	47,035.8	52,174.3	39,332.5
NFPS Current Expenditures (millions of Bs.)	52,119.2	59,446.2	67,907.7	80,670.1	84,527.6
Of Which: Goods and Services (millions of Bs.)....	22,764.1	25,785.4	29,529.3	36,842.7	33,364.4
NFPS Current Surplus (Deficit) (millions of Bs.)	22,120.9	27,290.6	35,118.8	35,860.5	23,653.3
NFPS Overall Surplus (Deficit) (millions of Bs.).....	1,382.0	3,288.0	1,376.1	(7,669.2)	(15,662.1)
NFPS Overall Surplus (Deficit)(6) (millions of U.S.\$)	200.6	479.3	200.6	(1,118.0)	(2,283.1)
NFPS External Financing (millions of Bs.)	2,965.3	4,342.7	5,268.5	3,072.3	3,807.9
NFPS Domestic Financing (millions of Bs.)	(4,347.3)	(7,630.6)	(6,644.6)	4,596.9	11,854.2
Consolidated General Government Overall Surplus (Deficit) (millions of Bs.)	(1,908.1)	3,420.0	2,887.0	(5,693.7)	(10,159.0)
State-Owned Company Overall Surplus (Deficit) (millions of Bs.)	3,290.1	(132.1)	(1,510.9)	(1,975.5)	(5,503.1)
Public Debt					
Public Debt (millions of U.S.\$)	8,625.1	8,952.3	10,697.6	12,271.6	11,244.2
Public Domestic Debt (10)(11) (millions of U.S.\$)....	5,043.2	4,670.6	5,435.8	6,535.4	4,904.0
Public External Debt (millions of U.S.\$).....	3,581.9	4,281.5	5,261.8	5,736.2	6,340.8
Medium- and Long-Term Public External Debt (millions of U.S.\$)	3,491.9	4,195.8	5,261.8	5,736.2	6,340.8
Of Which: Multilateral (millions of U.S.\$).....	2,620.8	3,040.9	3,459.8	3,901.1	4,651.0
Of Which: Bilateral (millions of U.S.\$).....	871.1	654.9	802.0	835.1	689.2
Of Which: Senior Bonds (millions of U.S.\$).....	—	500.0	1,000.0	1,000.0	1,000.0
Medium- and Long-Term Public External Debt Service/Exports (%)	2.5	4.1	2.3	2.7	5.6
Medium- and Long-Term Public External Debt/Exports (%)	37.8	34.2	41.1	42.4	66.9
Medium- and Long-Term Public External Debt/GDP (%).....	14.5	15.4	17.0	17.3	19.0

(p) Preliminary.

(1) Data based on the last official census carried out in 2013. Figures are estimated.

(2) Data obtained from the Human Development Report 2013, published by the United Nations Development Program (UNDP).

(3) “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.760 per person per month in November and December 2015.

(4) “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.401 per person per month in November and December 2015

(5) Includes Import Duties, VAT, Transaction and Other Indirect Taxes.

(6) Calculated using the average exchange rate of the corresponding year.

(7) At constant 1990 prices.

(8) Calculated using daily averages.

(9) 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.

(10) Net of inter-sector indebtedness and includes Central Bank debt.

(11) Calculated using the exchange rate at the end of the corresponding year.

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 the Notes” in this Offering Memorandum.

Issuer	Estado Plurinacional de Bolivia
Initial Purchasers	J.P. Morgan Securities LLC Merrill Lynch, Pierce, Fenner & Smith Incorporated
Notes Offered	U.S.\$1,000,000,000 aggregate principal amount of 4.500% Notes due 2028. The Notes will constitute unconditional unsecured and unsubordinated external indebtedness of Bolivia and will not be promissory notes (pagarés) under Bolivian law.
Issue Price.....	99.104%, plus accrued interest, if any, from March 20, 2017
Issue Date	March 20, 2017
Maturity Date.....	March 20, 2028
Payment of Principal	Bolivia will pay the principal of the Notes in three installments: 33.33% of the original principal amount on March 20, 2026, 33.33% of the original principal amount on March 20, 2027 and the remaining outstanding principal balance on March 20, 2028.
Interest	The Notes will bear interest at a rate of 4.500% 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 March 20 and September 20 of each year, beginning on September 20, 2017, to holders as of the previous March 18 and September 18.
Ranking.....	The Notes will be equal in right of payment among themselves and with all of Bolivia’s present and future unsecured and unsubordinated Public External Indebtedness (as defined in “Description of the Notes”), it being understood that this provision shall not be construed so as to require Bolivia to make payments under the Notes ratably with payments being made under any other Public External Indebtedness. 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 the 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 will contain provisions regarding acceleration and future modifications to their terms, including “collective action clauses”. Under these provisions, which differ from the terms of Bolivia’s external indebtedness issued prior to March 20, 2017 and which are described in the sections entitled “Description of the Notes—Collective Action Clauses” and “Description of the Notes—Meetings, Amendments and Waivers—Collective Action” in this Offering Memorandum, Bolivia may amend the payment provisions of the Notes and other reserve matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount outstanding of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66 2/3% of the aggregate principal amount of the outstanding securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding securities of each series affected by the proposed modification, taken individually.
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 direct or indirect 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 the 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.....	We may, without the consent of the holders, create and issue additional notes that may form a single series of notes with the outstanding Notes; <i>provided</i> that such additional notes do not have the same CUSIP number or other identifying number as the Notes unless such additional notes are fungible with the Notes for U.S. federal income tax purposes.
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, 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.

Ratings.....

The notes have been assigned a rating of BB by Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or S&P, and a rating of Ba3 by Moody's Investors Service Inc., or Moody's. These ratings are not a recommendation to purchase, hold or sell notes, and they do not comment as to market price or suitability for a particular investor. These ratings are based upon current information furnished to S&P and Moody's by the Issuer and information obtained by S&P and Moody's from other sources. These ratings may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information

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.

Year Ended December 31,	Bs. per U.S.\$			
	High	Low	Average(1)	Period End
2012.....	6.86	6.86	6.86	6.86
2013.....	6.86	6.86	6.86	6.86
2014.....	6.86	6.86	6.86	6.86
2015.....	6.86	6.86	6.86	6.86
2016.....	6.86	6.86	6.86	6.86
2017 (through March 13, 2017).....	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, 2016 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 read and carefully consider the risks described below and all of the other information contained in this Offering Memorandum before making an investment decision. Any of the following risks could materially and adversely affect our economic performance and our ability to make payments in respect of the Notes. 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. Recently, there have been protests by former workers of the Public Textile Company, persons with disabilities and cooperative members in the mining sector. Some of these protests have been violent and have resulted in injuries. In August 2016, protests by members of mining cooperatives turned violent and resulted in the death of a deputy minister of the Government who was kidnapped by protestors after he attempted to negotiate with the miners. 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 nationalizations carried out between 2006 and 2013 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.

Between 2006 and 2013, we adopted a development model that included 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 were nationalized during this period. 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.

We may not be able to renew our natural gas supply agreements with Brazil and Argentina, which could have a material adverse effect on our economy and our ability to make payments on our outstanding public debt, including the Notes.

Natural gas is currently exported by YPFB 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. In 2015, an average of 32.26 and 15.75 million cubic meters of natural gas per day were exported to Brazil and Argentina, respectively, at an average price of U.S.\$5.9 and U.S.\$6.2 per million BTUs, respectively.

The natural gas purchase and sale agreement between YPFB and Petrobras was signed in 1996 and is scheduled to expire in 2018, and the purchase and sale agreement between YPFB and ENARSA was signed in 2006 and has a scheduled expiration in 2026. While Brazil has expressed interest in extending the contract after its expiration, there can be no assurance that the purchase and sale agreement with Petrobras will be extended on terms favorable to us, or at all, nor can there be any assurance that the contract with ENARSA will be renewed on favorable terms, or at all, upon its expiration in 2026. Any failure to renew these contracts on favorable terms would have a material adverse effect on our ability to generate revenues from the export of natural gas, would have a material adverse effect on our economy 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.”

In 2015, we experienced a decrease in export revenues due to the decline of global petroleum and mineral prices. We can make no assurances that revenues from petroleum and mining activities will not experience fluctuations as a result of changes in the international petroleum and mineral markets. A dramatic decline in international petroleum and mineral prices could adversely affect our economy, fiscal accounts and international reserves. Additionally, our petroleum and mineral production capacity could decrease if we do not have available funds to allocate the necessary capital expenditures into these sectors. These circumstances could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

The termination or expiration of our 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.

Since 2010, our Bilateral Investment Treaties with Austria, Argentina, Chile, China, Cuba, Denmark, Ecuador, France, Germany, Italy, Korea, Luxembourg, Rumania, Mexico, the Netherlands, Paraguay, Spain, Sweden, Switzerland, the United Kingdom and the United States of America have been terminated or allowed to expire. However, some of these Bilateral Investment Treaties contain clauses under which the agreement remains effective with respect to investments made during a period of years prior to its termination. Therefore, some of our Bilateral Investment Treaties remain in force with respect to investments made prior to their termination or expiration. 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, 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, tax or other policies;
- the imposition of trade barriers by us or by third parties;
- general economic and business conditions in Bolivia;
- high interest rates;
- child labor laws;
- high levels of inflation, deflation or monetary fluctuations;
- exchange controls;
- wage and price controls;
- the ability of Bolivia to effect key economic and legal reforms;
- poor growth rates;
- economic, social and political instability in our trading partners or neighbor countries;
- changes in foreign laws and regulations or in trade, monetary or fiscal policies;
- 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.

Bolivia may experience political, economic, social or corruption problems that may interfere with our ability to service our indebtedness.

We cannot assure you that Bolivia will not face political, economic, social or corruption problems in the future or that these problems will not interfere with our ability to service our indebtedness.

Although we have implemented measures to address these problems, we cannot give assurances that these measures will be successful.

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.

A global economic downturn could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Although our rate of economic growth is one of the highest in South America, at an average annual rate of 5.0% per year from 2006 to 2012, and the global economy has improved since the global economic crisis of 2008, we cannot assure you that the global economy or our economy will continue to grow in the near future. In addition, we cannot assure you that we will not experience economic problems in the future as a result of any global economic downturn, 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.” Bolivia may amend the payment provisions of the Notes and other reserve matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount outstanding of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66 2/3% of the aggregate principal amount of the outstanding securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding securities of each series affected by the proposed modification, taken individually. See “Description of the Notes—Meetings, Amendments and Waivers—Collective Action Securities.” These provisions permit defined majorities to bind all holders of the Notes, including those holders who do not approve such modifications.

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 applied 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. For example, on June 10, 2016, Moody's cut the outlook of our bond ratings from Ba3 to Ba3 negative due to persistent fiscal and balance-of-payment pressures as a result of Bolivia's widening fiscal and current account deficits and lack of fiscal adjustment measures to compensate for lower hydrocarbon revenues, and on July 13, 2016, Fitch Ratings downgraded our IDR from BB to BB- with a stable outlook due to the weaker gas price outlook and the government's policy response which resulted in fiscal and external deficits. 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. There can be no assurances that our credit ratings will be maintained for a certain period of time or that our credit ratings will not be downgraded, suspended or cancelled. Any credit rating downgrade, suspension, or cancellation may have an adverse effect on the market price and the trading of the Notes.

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.\$989.5 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 democracy located in the Andes Mountains and the Amazon region of central-western South America, with an estimated population of approximately 10.8 million as of December 31, 2015. 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 expansion for the role of the state in economic affairs and of greater focus on Bolivian social policies. We believe that sustained growth cannot be attained if a significant share of our population continues living in poverty. Consequently, our policies are aimed at eradicating poverty and strengthening domestic demand. 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 adoption in 2009 of a new Bolivian Political Constitution, which is aimed at, among other things, empowering previously excluded classes, promoting greater decentralization and broadening social participation. Various new social welfare programs have been implemented since the Constitution was adopted. Additionally, 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, to improve public services and promote nutritional sustainability. We believe that state-owned companies must be efficient and profitable and that the operations of any state-owned company operating at a loss should be terminated. Accordingly, during 2016, we ceased operations at Enatex, a state-owned company that experienced significant financial problems. Nonetheless, we continue to operate a number of successful state-owned companies, such as ENDE (in the energy sector), YPFB (in the hydrocarbon sector), ENTEL (in the communications sector), BOA (the state-owned airline) and EBA (in the foods sector).

We ended the nationalization process in 2012. We have negotiated compensation packages with some of the investors affected by nationalizations and are currently 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 Pacific Ocean. 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 economy 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 five years of the twenty-first century were characterized by a deep 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 elected with 64% of the vote. In April 2013, the Plurinational Constitutional Tribunal ruled that President Morales and the Vice President Garcia Linera could run for second terms in the general election of 2014 because the first election of President Morales and Vice President Garcia Linera pre-dated the current Bolivian Political Constitution. In October 2014, President Morales and Vice President Garcia Linera were re-elected with 61% of the vote. Their terms are set to expire in 2019.

After his re-election, President Morales continued the implementation of the Bolivian Political Constitution. President 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 was done in November 2012. Based upon that census, we had a population of 10,027,254 as of November 2012.

The following table shows estimated demographic characteristics of our population for the four years ended December 31, 2015:

Demographic Characteristics

	2012	2013	2014	2015
Total population (million).....	10.3	10.5	10.7	10.8
Female (%).....	49.6	49.6	49.6	49.6
Male (%).....	50.4	50.4	50.4	50.4
Urban (%).....	67.3	67.7	68.0	68.4
Rural (%).....	32.7	32.3	32.0	31.6
Functional age groups (%)				
Young Child (0–4).....	11.7	11.5	11.4	11.2
Child (5–14).....	22.4	22.3	22.1	21.9
Youth (15–24).....	20.0	19.7	19.5	19.4
Adult (25–64).....	40.2	40.7	41.1	41.5
Elderly (65+).....	5.7	5.9	5.9	6.0
Demographic Indicators				
Average Annual Growth (%).....	1.6	1.5	1.5	1.5
Birth Rate (per thousand).....	24.4	24.0	23.6	23.2
Mortality Rate (per thousand).....	6.7	6.5	6.4	6.2
Fertility Rate (per woman).....	3.0	3.0	3.0	2.9
Infant Mortality Rate (per 1,000 live births).....	41.2	38.7	36.5	34.3
Average Life Expectancy (age)				
Female.....	72.2	73.1	73.8	74.6
Male.....	66.3	66.9	67.5	68.1
Overall.....	69.2	69.9	70.6	71.3

Source: National Institute of Statistics. 2015 Review.

Our illiteracy rate dropped from 11.0% in 2005 to 3.4% in 2008 and in December 2008, Bolivia became 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%.

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.\$).....	7,063	4,445	5,934	7,833	12,025	14,555	11,396	17,615	n.a.	51,340
United Nations Index of Human Development (World Ranking)(3).....	128	131	119	112	97	75	84	71	40	8
Life Expectancy at Birth (years)(3).....	71.8	73.1	68.3	72.9	74.0	74.5	74.6	74.2	76.3	79.1
Infant Mortality (per 1,000 live births)(2).....	25.8	18.9	31.2	18.7	14.5	12.3	12.9	12.9	11.9	5.9
Adult Literacy Rate(4) (%).....	78.3	85.4	94.5	93.9	93.6	91.3	93.8	95.5	97.9	n.a.
Population below the poverty line(5) (%).....	n.a.	16.5	8.0	n.a.	5.6	3.8	2.9	n.a.	1.4	n.a.

Source: United Nations Development Programme, *Human Development Report 2015*

- (1) This data may conflict with official data from the Government.
- (2) 2013 data.
- (3) 2014 data.
- (4) Data is the most recent year available between 2005 and 2013.
- (5) Data refer to the most recent year available during the period specified. Data estimated based on surveys for 2002 and 2012. 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

On October 16, 2011, 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 Agro-Environmental Tribunal is the highest court with special jurisdiction on agricultural, livestock, forestry, environmental, water and biodiversity matters. The tribunal consists of seven judges and magistrates with a mandate of six years. The Judiciary Council is responsible for disciplinary matters in the ordinary, agro-environment and specialized jurisdictions. The council is composed of five members with a mandate of six years. The Plurinational Constitutional Tribunal is responsible for constitutional matters. It is composed of seven magistrates and alternates with a mandate of six years. The Supreme Tribunal of Justice is the highest court of ordinary jurisdiction composed of nine magistrates and alternates with a mandate of six years.

On October 12, 2014 we held presidential and legislative elections. In these elections, Juan Evo Morales Ayma and Alvaro Garcia Linera, were re-elected as President and Vice President, respectively, with 61% of the vote. The political party MAS-IPSP won 88 of the 130 seats in the Chamber of Deputies and 25 of the 36 seats in the Chamber of Senators. The political party Democrat Unit won 32 of the 130 seats in the Chamber of Deputies and 9 of the 36 seats in the Chamber of Senators. The Christian Democratic Party won 10 of the 130 seats in the Chamber of Deputies and 2 of the 36 seats in the Chamber of Senators. Our next presidential and legislative elections will take place in 2019.

Departmental and municipal elections were last held in March 2015 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 such as El Alto and Cochabamba.

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.

In November 5, 2015, Law No. 757 was enacted authorizing a constitutional referendum to determine whether article 168 of our Constitution should be amended to allow for the President and Vice President to be elected for two consecutive terms. On February 21, 2016, the proposal was rejected by 51.3% of those voting in the referendum. The ruling party, Movement for Socialism (*Movimiento al Socialismo*), is currently considering alternatives in connection with a potential re-election run by the President.

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.

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 required the completion of the national population census that was conducted in late 2012. The results of the census were published in 2013.

Social Welfare Programs

We are committed to eradicating poverty by promoting equitable economic distribution programs and by promoting equality in opportunity. On September 12, 2007, the Government finalized the National Development Plan 2008-2011, with the purpose of guiding and coordinating local, regional and institutional planning for national development by outlining strategies in key areas such as poverty reduction, healthcare, education, housing and community services.

On March 9, 2016, President Evo Morales promulgated Law No. 786 approving the Plan for Economic and Social Development, 2016–2020 (the "Plan"). The Plan sets forth the strategic framework and the actions to be undertaken by 2020 in order to strengthen the process of transformation of the country's industrial sector, promote greater economic diversification, and strengthen the factors that will allow Bolivia to become a regional energy generation center and a regional highway hub.

The implementation of this Plan will strengthen the role of the Government in our country's social, economic and political matters and aims to provide macroeconomic stability and deepen the transformation process of the productive sector in order to achieve greater economic diversity, regional energy integration in pursuit of the well-being of our citizens. Under the Plan, small- and medium-sized producers and the communal economic sector will have an increased role aimed at developing a society based on knowledge and its own creative economies. In addition, the plan seeks to deepen the advances on social policies and the elimination of extreme poverty, including improved access to education and health, making the human right to basic services a reality. Furthermore, one of the plan's goals is to achieve a balance between the industrial exploitation of natural resources and protection of the environment, through the promotion of sustainable ecological systems and the reduction of environmental pollution.

Poverty indicators have been greatly reduced in recent years, as envisioned by the National Development Plan. The Government's cash transfer programs have been instrumental in reducing extreme poverty from 38.2% in 2005 to 16.8% in 2015 and moderate poverty from 60.6% in 2005 to 38.6% in 2015. 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 these social welfare programs in a targeted manner to allow for 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 benefited more than 45% of the Bolivian population in 2015. Since 2006, these advancements in the fight against poverty have been accompanied by high GDP growth rates and a prudent fiscal policy.

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

The following table shows levels of moderate and extreme poverty for the four years ended December 31, 2015:

Moderate and Extreme Poverty

	2011	2012	2013	2014	2015(p)
Moderate Poverty(1) (%).....	45.1	43.3	38.9	39.1	38.6
Extreme Poverty(2) (%).....	21.0	21.6	18.7	17.1	16.8

Source: National Institute of Statistics, Ministry of Economy and Public Finance

(p) Preliminary.

- (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.760 per person per month in November and December 2015.
- (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.401 per person per month in November and December 2015.

Dignity Pension Program

In order to reduce the levels of extreme poverty in the country and reduce income inequality, we created the Dignity Pension Program, 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. Between February 2008 and December 2015, the Dignity Pension program benefited 1,162,323 people at a total cost of Bs.16,158 million.

The Dignity Pension program provides persons 60 years of age or older with monthly payments of Bs.250 or Bs.200 depending on whether they receive any other form of government assistance or a pension. In addition, the Dignity Pension program establishes a thirteenth payment (*aguinaldo*) payable to its beneficiaries. It is noteworthy that since 2014 the *aguinaldo* of the Dignity Pension has been paid every year. Thus, people over 60 years of age receive total payments of Bs.3,250 per year, while people under the pension system receive Bs.2,600 per year. In 2015, the Dignity Pension program benefited 9.9% of the population.

Juancito Pinto Cash Transfer Program

The Juancito Pinto cash transfer program, provides a monthly subsidy of Bs.200 directly to students to encourage school attendance in order to reduce truancy and dropout rates. Coverage of the Juancito Pinto cash transfer program has expanded progressively since 2006. In 2014, the payment of this benefit was extended to all public school students under 21 years old across the country.

In 2015, the Juancito Pinto cash transfer program reached 2.2 million students, or 20.6% of the population at a total cost of Bs.465 million.

This program was financed by state-owned enterprises such as YPFB, ENTEL, ENDE, BOA and COMIBOL, among others.

Between 2000 and 2005, the average school dropout rate was 6.1%, while between 2006 and 2014, the school dropout rate fell to 3.8%, a decrease of 2.3 percentage points. In the same periods, there were further dropout reductions in rural areas from 7.1% to 4.5% and in urban areas from 5.5% to 3.5%.

Juana Azurduy Voucher Program

The Juana Azurduy voucher program is designed to reduce maternal and child mortality and the levels of chronic malnutrition among children as a mechanism to guarantee safe motherhood and the integrated development of children. To access this benefit, pregnant women must complete four prenatal checkups every two months, for which she receives a payment of Bs.50 for each visit. Furthermore, for assisted delivery by health professionals and a postnatal check, the mother receives Bs.120. Additionally, a child under two years old receives Bs.125 for each of the 12 bi-monthly check-ups. The total benefit to the family amounts to Bs.1.820, in about 33 months of controls. It is an incentive for women to seek medical services during pregnancy, delivery and postnatal care of Bolivian children.

In 2015, the Juana Azurduy voucher program benefited 90,445 pregnant women and 95,599 children at a total cost of Bs.739 million and was financed by resources from the General National Treasury and the Ministry of Health. Since 2009, the Juana Azurduy voucher program benefited 619,409 pregnant women and 868,278 children. This program contributed to the increase in the percentage of births attended by skilled health professionals, which reached 85.7% in 2015, surpassing the goal of institutional delivery of 70.0% by 2015 set by the UN Millennium Development Goals by 17.5 percentage points.

Housing, Utilities and Community Services

The administration of President Morales has worked to increase access to suitable housing for the low-income population and the granting of property rights in order to reduce housing shortages. In this context, between 2006 and 2015, the state built 86,456 houses or housing solutions across the country, of which 61.6% were under the purview of the Social and Solidary Housing Program (PVS), 37.2 % under the purview of the State Housing Agency and 1.2% under the purview of the Emergency Housing Executor Unit (UEVE).

In 2011, the program More Investment for Water “MIAGUA” was created in order to increase access to water for human consumption and irrigation through investments in irrigation, drinking water and basic sanitation. At the same time, this program seeks to contribute to food security and poverty reduction through increased agricultural production and productivity, and improved living conditions of the population. As of December 2015, the “MIAGUA” program had invested Bs.2,645 million in projects, such as potable water and irrigation, household connections, public standpipes and others benefiting 381,140 Bolivian families throughout the country. At a national level, 80.8% of the population in private housing has access to water and 52.7% have basic sanitation, according to the 2012 Census.

An additional program, the Dignity Rate, was established to facilitate access to the electric grid to lower income families. The Dignity Rate is a 25% discount over the total invoice amount for monthly electricity consumption up to 70 (kilowatts) kWh per month in urban areas and up to 30 kWh per month in rural areas. These discounts are covered by the electricity companies operating in the Wholesale Electricity Market. In 2015, the number of beneficiaries of the Dignity Rate reached 1,031,988 households.

Pension System

The pension system was reformed in late 2010. The new pension law adopted in 2010, which replaced a law from 1996, was enacted after a process of widespread consultation. The law allows for an indefinite transition period to finalize operational issues, after which the pension funds will be operated by a public pension fund administrator, which will be a strategic national state-owned company. As of December 31, 2015, 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 that 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 employees 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.
- A contribution of 1.71% paid by employers and employees to cover common and professional risks, providing health insurance in case of accidents on daily activities and accidents during working hours.
- 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, among other sources, by a progressive contribution (national solidarity contribution), mining solidarity contributions and solidarity contributions made by insured people and employers.
- A Death Pension which is activated when the insured person dies, giving his pension to the beneficiaries declared by the insured.
- In May 2013, the main component of the non-contributive subsystem, the Dignity Pension program, increased the annual amount of payments from Bs.2.400 to Bs.3.000 for people who did not receive any pension or income. For people who received pension or income the annual amount increased from Bs.1.800 to Bs.2.400.
- In addition, the non-contributive subsystem provides for a payment of Bs.1,800 to cover funeral expenses of a person who has received a pension under the Dignity Pension program.
- Since November 2014 the Dignity Pension program has added a thirteenth month payment (Bonus) of Bs.250 or Bs.200 depending on whether the person received any kind of pension or income during the corresponding year.
- In September 2014, Law 573, decreeing the Age Reduction Due to Unhealthy Work Conditions, was enacted. This law allows mine workers, bricklayers, workers in cement mills, workers performing their duties under the open sky, workers exposed to radiation and toxic materials, including those in the textile industry, who are constantly exposed to chemical powders and other pollutants, to benefit from an early retirement age.
- In August 2015, Law 721, decreeing Temporal Benefit to Unhealthy Work, was enacted, increasing the contributions to the Dignity Pension program for mine workers.

Prior to 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.9.8 billion and had accumulated total assets of approximately Bs.84.9 billion by the end of 2015.

As of December 31, 2015, 1.9 million people were insured under the reformed pension system, 63% of the participants were male and 37% female. Of all participants, 78% were single and 20% were married. A total of Bs.216.8 million in disbursements were made in 2015, an increase of 23% compared to Bs.176.5 million in 2014. Contributions totaled Bs.9.8 billion in 2015, an increase of 13% compared to Bs.8.7 billion in 2014. Total assets reached Bs.84.9 billion as of December 31, 2015, an increase of 15% compared to Bs.73.7 billion as of December 31, 2014.

Infrastructure and Investments

Public Sector Investments

Total public sector investment in 2015 was U.S.\$4,890.7 million, an increase of 8.58% as compared to U.S.\$4,504.3 million in 2014, which was primarily the result of an increase in productive and infrastructure investments, principally in transportation.

The following table shows public sector investment for the five years ended December 31, 2015 and that projected for 2016:

Public Sector Investments

	2010	2011	2012	2013	2014	2015	Budget 2016
	<i>(in millions of U.S.\$)</i>						
Infrastructure							
Communications.....	8.8	85.5	82.0	137.9	34.5	19.7	44.1
Water Resources.....	44.1	45.0	56.3	108.3	95.1	67.7	54.9
Transportation.....	600.7	722.3	896.7	1,083.0	1,310.2	1,608.7	1,848.0
Total Infrastructure	653.6	852.9	1,035.0	1,329.1	1,439.8	1,696.2	1,947.1
Multisector							
Trade and Finances.....	6.2	4.1	2.3	11.1	80.7	11.2	12.7
General Administration	1.4	1.3	1.3	33.1	14.9	17.4	77.9
National Defense	13.9	10.4	53.9	15.3	18.0	24.4	12.0
Judiciary and Police.....	9.3	9.5	13.3	25.2	32.2	37.6	25.3
Multisectoral.....	46.6	57.9	84.8	58.2	66.6	25.2	24.6
Natural Resources and Environment	18.4	22.1	31.9	33.2	41.5	28.1	21.1
Total Multisector	95.7	105.4	187.4	176.2	253.8	144.1	173.7
Productive							
Agricultural.....	83.6	134.8	180.2	222.6	275.5	319.6	353.9
Hydrocarbons	108.6	308.0	487.6	578.5	645.5	678.3	828.7
Industry.....	6.4	11.7	62.2	92.3	107.3	192.4	190.1
Tourism.....	5.5	7.2	8.2	9.0	11.9	16.0	15.3
Energy	71.0	106.9	123.3	173.5	214.4	312.4	1,454.3
Mining	27.8	89.35	71.5	113.7	108.1	190.3	157.3
Total Productive	302.9	658.0	933.0	1,189.6	1,362.7	1,709.0	2,999.7
Social							
Education, Culture and Sports	176.9	170.4	232.8	326.4	454.7	510.1	429.0
Health and Social Security.....	71.6	79.7	93.4	151.3	157.6	240.9	357.8
Basic Sanitation	78.8	119.9	156.5	201.9	255.4	229.8	183.7
Urban Development and Housing.....	144.3	196.2	259.8	404.7	580.2	360.6	304.5
Total Social.....	471.7	566.1	742.5	1,084.3	1,447.9	1,341.4	1,274.9
Total	1,523.9	2,182.4	2,897.9	3,779.2	4,504.3	4,890.7	6,395.4

Source: Ministry of Development and Planning

Infrastructure

Total public sector infrastructure investment in 2015 was U.S.\$1,696.2 million, an increase of 17.8% as compared to U.S.\$1,439.7 million in 2014, which was primarily the result of increased investment in transportation. Investments in transportation reached U.S.\$1,608.7 million in 2015, an increase of 22.8% as compared to U.S.\$1,310.2 million in 2014. The main investments were in two way roads such as Caracolito – Confital,

Quillacollo – Suticollo, Montero – Yapacani and bridges such as Yapacani, Ichilo, Beni I, Beni II, Ipurupuru, Machupo I y II.

We have earmarked funds for the construction and development of electric power generation projects that will allow us to export excess electricity to neighboring countries, resulting in new revenue and position us as the region's energy center. Accordingly, we plan to deploy by 2020 about six combined cycles (combined use of two turbines: gas and steam) in thermoelectric plants to add 1,096 MW, build and operate five hydroelectric plants (Miguillas, Ivirizú, San Jose, Banda Azul and Misicuni) and develop thirteen alternative energy projects in wind, biomass, geothermal and solar energy.

Since 2006, we have completed several electricity generation projects, including eight thermoelectric plants (Carrasco, Entre Rios, Valle Hermoso, Moxos, two for Central Kenko, Bulu Bulu, South Warnes), Phase I of the Misicuni hydroelectric project and the implementation of alternative energy projects such as the wind project Qollpana phase I and phase II and the solar plant in Cobija.

Investments in water resources reached U.S.\$67.7 million in 2015, a decrease of 28.8% as compared to U.S.\$95.1 million in 2014. Most investments in water resources are managed by the municipalities. Investments in communications decreased by 42.8% to U.S.\$19.7 million in 2015 as compared to U.S.\$34.5 million in 2014, due to the launch of the Tupac Katari Satellite in 2014.

Multisector

Investments in this category include those in trade and finance, general administration, judiciary and police, and national defense, "multisectoral." Multisectoral includes investments in development, land, natural resources and the environment, multiple programs and institutional strengthening. Total public sector multisectoral investment in 2015 was U.S.\$144.1 million, a decrease of 43.2% as compared to U.S.\$253.8 million in 2014, mainly due to a decrease in the trade and finance sector. In 2015, investments in natural resources and environment totaled U.S.\$28.2 million in several projects.

Productive

Total public sector productive investment in 2015 was U.S.\$1,709.0 million, an increase of 25.4% as compared to U.S.\$1,362.7 million in 2014. This increase was primarily due to increased investment in energy, which increased by 68.6% in 2015 as compared to 2014, reaching U.S.\$312.4 million in 2015 from U.S.\$214.4 million in 2014. Investments in mining increased by 76.0% in 2015 as compared to 2014, from U.S.\$108.1 million in 2014 to U.S.\$190.3 million in 2015.

Investments in agriculture increased by 69.1% in 2015 as compared to 2014, from U.S.\$275.5 million in 2014 to U.S.\$319.6 million in 2015, while investment in industry and tourism increased by 74.8% in 2015 as compared to 2014, from U.S.\$119.2 million in 2014 to U.S.\$208.4 million in 2015.

Social

Total public sector social investment in 2015 was U.S.\$1,341.4 million, a decrease of 7.6% as compared to U.S.\$1,447.9 million in 2014. The decrease was primarily the result of decreased investment in urban development and housing, which decreased by 37.8% in 2015 as compared to 2014, from U.S.\$580.2 million in 2014 to U.S.\$360.6 million in 2015.

Basic sanitation was also a significant contributing factor to the decreased investment in social investments in 2015. Total public sector investment in basic sanitation decreased by 10.0% in 2015 as compared to 2014, from U.S.\$255.4 million in 2014 to U.S.\$229.8 million in 2015.

Investments in health and social security increased by 52.9% in 2015, from U.S.\$157.6 million in 2014 to U.S.\$240.9 million in 2015, which allowed us to build, provide equipment for and generally improve hospitals and health centers. Total public sector investment in education, culture and sports increased by 12.2% in 2015 as compared to 2014, from U.S.\$454.7 million in 2014 to U.S.\$510.1 million in 2015.

“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 2007 and 2015, this program funded a total of 6,615 projects and allocated investments totaling U.S.\$1,002.3 million. The sectors with the most projects were education and sports, with 2,875 and 1,548 projects, respectively, with disbursements totaling U.S.\$650.6 million. In 2015, funding for education was primarily used for the construction and extension of educational units, and for the construction and improvement of classrooms. Funding for sports was primarily used to improve and expand sports infrastructure.

The following table shows expenditures and projects under the “*Bolivia Cambia, Evo Cumple*” program for the five years ended December 31, 2015 and cumulative expenditures and projects since 2007:

“Bolivia Cambia, Evo Cumple” Program Expenditures

	2011		2012		2013		2014		2015(p)		Cumulative (2007–2015(p))	
	Funds	Projects	Funds	Projects	Funds	Projects	Funds	Projects	Funds	Projects	Funds	Projects
	(in millions of U.S.\$, except for number of projects)											
Sports.....	11.2	58	61.1	114	92.2	319	33.0	137	10.1	107	286.2	1,548
Education.....	13.3	135	27.3	79	142.7	680	45.3	190	23.6	423	364.4	2,875
Communal												
Equipment.....	5.8	33	11.4	36	24.9	96	16.8	73	5.7	62	109.9	645
Roads.....	2.0	16	2.0	5	6.6	26	5.6	11	2.7	45	33.2	157
Production.....	2.9	10	12.9	48	25.3	55	10.2	27	14.8	21	113.8	386
Irrigation.....	0.5	4	-	-	1.4	15	1.4	9	-	-	17.8	260
Health.....	0.8	6	2.7	8	9.9	37	9.1	11	7.8	68	50.4	380
Basic Sanitation.....	1.0	15	-	-	0.7	2	-	-	0	1	26.3	364
Total.....	37.5	277	117.4	290	303.6	1,230	121.4	451	64.8	727	1,002.3	6,615

Source: Special Projects Unit, Ministry of the Presidency

(p) Preliminary.

Environment

In February 2016, we received reports that the Lake Poopó, the second largest in Bolivia, had dried up, mainly due to higher temperatures and the diversion of waters from the Desaguadero River for agricultural purposes.

In October 2016, the Government signed a U.S.\$77.3 million contract for the rehabilitation of Lake Titicaca. In addition, the European Union donated U.S.\$8 million for similar work. This task includes decontaminating the Katari basin through a comprehensive program that includes sanitation, wastewater treatment, solid waste treatment and support of sustainable services.

In November 2016, the levels of the dams that supply water to the La Paz area fell significantly as a result of droughts experienced in the region. As a consequence, some neighborhoods of La Paz suffered water shortages. Following the recent increase in rain and governmental investments to optimize the water supply, the water levels of the dams have significantly improved and the water supply to the La Paz region has been restored to near normal levels.

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 signed between YPFB and Energía Argentina Sociedad Anónima (“ENARSA”) in 2012. In the area of border integration, we have built a bridge between Yacuiba, Bolivia and Salvador Mazza, Argentina, which has increased trade, tourism and development in the border area of Yacuiba. Through the Argentine Cooperation Fund (FO.AR), 25 projects in the areas of health, education, culture, environment, energy and agriculture, among others, have been implemented. Since 2012, Bolivia has requested several projects be included in a new Technical Cooperation Program between Bolivia and Argentina, while Argentina has requested the inclusion of two new programs. Seven projects were transferred from the first to a second Cooperation Program.

Brazil

In February 2016, the Ministry of Mines and Energy of Brazil and the Ministry of Hydrocarbons and Energy of Bolivia entered into a memorandum of understanding related to the energy sector. Under this memorandum of understanding, we agreed to continue the natural gas purchase and sale agreement between YPFB and Petrobras and to deliver Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG) to the Brazilian market. In addition, YPFB and Petrobras agreed to work together to concretize the Tres Lagunas Fertilizer Plant (Brazil). The memorandum of understanding also states that Bolivia has the capacity to supply to Brazil natural gas long term after 2019, and Brazil expressed its interest and commitment to maintain the commercial relations by purchasing natural gas from Bolivia.

The governments of Bolivia and Brazil through ENDE and Eletrobras, their respective state electricity entities, entered into two agreements to carry out the binational Rio Madera hydroelectric project of approximately 3,000 MW and to undertake joint investments for the commercialization of electricity in Brazil and other countries.

In November 2016, Bolivia and Brazil through YPFB, Petrobras, J & F and Empresa Promotora de Energía LTD (“EPE”) entered into an oil services agreement for the San Telmo and Astillero areas for a 40-year term. The expected investment is of U.S.\$610 million in the exploratory prospects of the San Telmo area and the Astillero area. A letter of intent between YPFB and EPE, establishes that the supply of natural gas to EPE during the 2019 management will be provided by YPFB.

In 2013, our diplomatic relationship with Brazil was disrupted when Senator Pinto sought asylum in Brazil and was offered refuge in the Brazilian Embassy, causing the resignation of the Brazilian ambassador. In December 2015, Brazil appointed a new ambassador to Bolivia. In May 2016, we appointed our new ambassador to Brazil.

Colombia

Our international relationship with Colombia dates back to March 19, 1912 when we subscribed 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 more than a century.

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.

Our international relationship with Colombia is currently strained due to a lack of political affinity between the Colombian and Bolivian administrations. However, in light of our shared vision of Latin American integration, we are working towards cooperation in educational, technical, cultural and scientific matters.

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 historically focused on healthcare and education though currently, Cuban cooperation extends to other strategic areas, such as the productive sector. Some of the projects include the Comprehensive Community Hospital, the Operation Mission Miracle dedicated to eye care, with coverage in nine departments of Bolivia and the Alba Moto Méndez Mission dedicated to assisting persons with disabilities. In the area of education, we signed a Scholarship Program in 1999 and more than 5,800 indigent Bolivians have benefited from scholarships at universities in Cuba, with 97% of those benefitted studying medicine. We have also collaborated with Cuba on a program called “I can do it,” which is designed to reduce illiteracy. This program helped reduce our illiteracy rate below 4% and as a result, Bolivia was declared free from illiteracy by UNESCO.

Agreements with Cuba include reciprocal agreements of validation of studies, degrees and higher education diplomas, as well as mutual cooperation in criminal matters and mutual cooperation in the fight against drugs and drug trafficking.

Chile

We maintained diplomatic relations with Chile from 1890 until April 1962, when relations 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.”

In 2011, President Morales publicly stated that the Political Constitution provides for the sovereign maritime vindication as one of the pillars of our foreign policy and called for the need of presenting our claim for a free and sovereign access to the Pacific Ocean before international tribunals. In response to these statements, the Strategic Board of Maritime Vindication and the National Counsel for Maritime Vindication were created and their work resulted in the case we filed against Chile on April 24, 2013 before the International Court of Justice. On July 15, 2014, Chile filed a preliminary objection to the jurisdiction of the Court, which was rejected by the International Court of Justice fourteen votes to two on September 24, 2015. We are currently working on the reply, which will be presented to the International Court of Justice on March 21, 2017.

At the time of this Offering Memorandum, we only maintain consular relations with Chile.

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.

In 2012, we suspended our diplomatic relations with Paraguay following the impeachment of the Paraguayan president that we and others in the international community condemned as illegitimate. In December 2013, Bolivia and Paraguay restored diplomatic relations.

We do not have a significant commercial relationship with Paraguay; however, we are exploring furthering our exports to Paraguay, including exports of natural gas. We are also interested in furthering our bilateral relations with Paraguay within the framework of the Intergovernmental Committee of the Aquatic Ways Paraguay-Paraná, including implementing the operating phase of the International Transport Agreement (*Acuerdo de Transporte Internacional Terrestre* - “ATIT”) entered into in September 1990, as part of the Montevideo Treaty of 1980, which created the Latin-American Integration Association (“ALADI”). The ATIT regulates road land transport services, cargo and passengers, as well as train transport between ALADI’s member.

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, including in areas such as river basins, migration patterns, environmental preservation, energy integration, investments and commercial exchange, drug trafficking, contraband, and human trafficking.

In November 2016, at the presidential meeting and Second Binational Cabinet Meeting, held in Sucre, the Presidents of Bolivia and Peru signed the Joint Declaration of Sucre and entered into 13 agreements of exchange and cooperation to strengthen bilateral relations between both countries. These 13 agreements include a memorandum of understanding for the construction of the Central Bi-Oceanic Railway (among Peru, Bolivia and Brazil), the binational memorandum to approve the Annual Operational Program of Lake Titicaca, with the objective of preserving the Desaguadero river, the Poopó lake and Coipasa salt flat, the exchange of notes related to the promotion and protection of bilateral investments extending the validity of the agreement for the promotion and protection of reciprocal investments until February 19, 2018, which is the date by which we expect a new investment treaty to take effect; and the Non-Refundable Technical Cooperation Agreement between the Andean Development Corporation (“CAF”) and the Ministries of Foreign Affairs of Bolivia and Peru, which undertakes to give effect to the donation granted by the CAF in favor of both Ministries.

Venezuela

We have strong diplomatic relations with Venezuela, including the furthering of regional integration projects such as ALBA, CELAC and UNASUR. Furthermore, in order to further our bilateral relations, we have entered into an agreement to create the Joint Integration Committee Bolivia – Venezuela, which includes bilateral cooperation in areas such as safety, defense, health, transport, sports, culture, education and migration, as well as economic areas such as finance, energy, food and commerce, mining, agriculture and science and technology. We continue to maintain bilateral relations with Venezuela.

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 declaration of “*persona non grata*” of the United States ambassador in September 2008 and the indefinite suspension of operations of the U.S. Drug Enforcement Agency (“DEA”) in November 2008. 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 July 2009, we ended the U.S. Agency for International Development’s (“USAID”) program on democracy in Bolivia. 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.

Our bilateral relations are based on the Framework Agreement for Mutually Respectful and Collaborative Bilateral Relations dated November 7, 2011, the scope of which encompasses political dialogue, trade and investment and shared responsibility on combating and cooperating on measures against drug trafficking.

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. On May 1, 2013, we announced that we would expel USAID from Bolivia and since then, in coordination with the United States embassy, we have set the terms and procedures for USAID’s exit from 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 evaporated 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. We have signed two letters of intent for defense and industrial cooperation as well as an agreement regarding the extension of visas between our two countries. On June 19, 2012, we signed a memorandum of understanding for cooperation in the fight against drugs, narcotics and precursors with Iran. In August 2016, the Foreign Minister of Iran visited our country as part of his Latin America tour, accompanied by businessmen and diplomats, aiming to foster their relations with the region.

Our relationship with Libya dates back to 2008, when we entered into a memorandum of understanding with Libya. Our relations are based on the commitment to promote peace, sustainable economic growth, justice and eradication of famine and poverty. We continue to maintain bilateral relations with Libya.

Relationship with Russia

In November 2016, the Bolivian Nuclear Energy Agency entered into an agreement with Rosatom, Russia's state-owned nuclear corporation, for the construction of a Nuclear Research and Technology Center that will allow Bolivia to develop nuclear technologies to be applied in science, healthcare, geology, agriculture, among other areas.

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 ("Unasur"), the Bolivarian Alliance for the Americas, the Community of Latin America and the Caribbean States ("CELAC"). We are currently an associate member of the Common Southern Market ("Mercosur") and have subscribed to the Mercosur incorporation protocol for full membership. In July 2015, Argentina, Uruguay and Venezuela ratified the incorporation of the Adhesion Protocol of Bolivia, and we are currently in the process of adopting internal laws necessary to implement the Adhesion Protocol and its annexes. Unasur 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 Unasur's parliament 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

The Bilateral Investment Treaties with Austria, Argentina, Chile, China, Cuba, Denmark, Ecuador, France, Germany, Italy, Korea, Luxembourg, Rumania, Mexico, the Netherlands, Paraguay, Spain, Sweden, Switzerland, the United Kingdom and the United States of America have been terminated or allowed to expire. However, some of these Bilateral Investment Treaties contain clauses under which the agreement remains effective with respect to investments made during a period of years prior to its termination. Therefore, some of our Bilateral Investment Treaties remain in force with respect to investments made prior to their termination or expiration.

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 region of Chapare 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. Currently, we have plans 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 this policy is to strengthen governance in the fight against drugs, use principles that ensure a comprehensive and sustainable coca production development, protect our 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 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.

In recent years, our Government has shown to the national and international community its commitment to reduce the drug problem in Bolivia. We developed the 2011-2015 Strategy to Combat Drug Trafficking and Reduction of Excess Cultivation of Coca Leaf (ELCNYRCEC), which is based on three pillars: supply reduction, demand reduction and the reduction of excess coca crops. The goals of the third pillar are: to stabilize the area of coca crops in 20,000 hectares through the definition and delimitation of areas of production and eradication of coca crops in prohibited areas based primarily on respect for human rights.

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

	For Year Ended December 31,					
	2010	2011	2012	2013	2014	2015
Cocaine Clorohidrate Seized (in tonnes)	3.39	5.61	4.18	1.58	4.08	8.60
Cocaine Processing Factories Destroyed	5,922.00	5,252.00	4,433.00	5,930.00	5,306.00	4,234.00
Coca Leaves Seized (in tonnes)	1,015.00	603.00	739.9	475.55	586.84	362.08
Concerted Rationalization of Coca Leaves (in hectares)	7,163.82	9,251.05	9,002.62	7,806.44	6,612.70	6,654.84
Forced Eradication of Surplus Coca Leaves (in hectares)	1,036.00	1,258.26	2,041.06	3,600.64	4,250.96	4,364.75

Source: Ministry of Social Defense and Controlled Substances

According to a recent report by the United Nations Office on Drugs and Crime, the production of coca plants in Bolivia decreased by approximately 41.4% between 2010 and 2015, with the area of coca cultivation declining from 31,000 to 20,200 hectares, respectively.

This decrease in coca production is due to the constant effort of rationalization, eradication and social control mechanisms conducted by the Government and the abandonment of old plots of coca crops in traditional production areas. Additionally, the institutions involved in the control of coca crops have improved their technology and information management for rationalization and eradication.

On June 29, 2011, we sent a notification to the United Nations of our intention to withdraw from the Single Convention on Narcotic Drugs, 1961, as amended by the 1972 Protocol amending the Single Convention on Narcotic Drugs (the “1961 Convention”), and our withdrawal 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 2010 and 2015, the Strategic Operational Command “Lt. Gironda” (“CEO”) comprised of the armed forces, Bolivian police and DIGPROCOCA with its Social Economic Development Units of the Yungas of La Paz and Cochabamba Tropic (UDES Y and UDESTRO) under the strategic direction of the Vice Ministry of Social Defense and Controlled Substances, seized 3,778.0 metric tons of coca leaf from the regions of the Yungas and the Chapare. The highest rate of seizures of coca leaf was recorded in the department of Cochabamba, followed by La Paz, the main cocaine-producing area of Bolivia.

Forced Eradication of Surplus Coca Leaves

The policy of eradication of excess coca is aimed at the surplus of coca leaves in national parks, forest reserves and other areas where cultivation is not permitted. This policy has resulted in the eradication of 16,551.99 hectares of coca crops between 2010 and 2015. We eradicated 4,250.96 in 2014 and 4,364.75 hectares in 2015.

Concerted Rationalization

Since 2007, we have used a strategy to combat drug trafficking through social participation, dialogue, and consensus building based primarily on the 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 CEO.

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 46,491.47 hectares between 2010 and 2015. We eradicated 6,612.70 hectares of coca crops in 2014 and 6,654.84 hectares in 2015.

Cocaine Seizure

Cocaine seizures are conducted by the Task Force to Fight Drug Trafficking (*Fuerza Especial de Lucha contra el Narcotráfico*) (“FELCN”). Between 2010 and 2015, FELCN seized 27.44 tons of cocaine.

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 affected by the 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	Dispute	Current Situation
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. and claim U.S.\$5.8 million in damages.	Since September 8, 2013, the arbitration proceedings and settlement negotiations have been suspended.
Jindal Steel Bolivia S.A. v. Empresa Siderúrgica el Mutún	In December 2011, the claimant initiated arbitration proceedings in the International Court of Arbitration (“ICC”). Matter No. 20086/ASM	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 Siderúrgica del Mutún, a Government run-mining operation. Empresa Siderúrgica 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.	We filed an objection against the jurisdiction of ICC over the controversy. The proceedings had previously been suspended until November 10, 2016, pending the outcome of settlement negotiations. Currently, we are preparing our objections challenging the basis for jurisdiction.
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. (CPA Matter No. 2011-14)	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.\$85.6 million.	The last arbitration hearing was held on October 18 and 19, 2016, in Paris, France. We are currently awaiting the award from the arbitral tribunal.

Parties	Forum	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. (CIADI Matter 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.\$48.6 million plus applicable interest.	The arbitral resolution was awarded on September 16, 2015. On September 21, 2015, we filed a request for the annulment of the arbitral decision. On February 21, 2017, the arbitral tribunal suspended the execution of the award until the resolution of the pending annulment application. On February 27, 2017, Quiborax S.A. and Non-Metallic Minerals S.A. filed their response to the annulment request.
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 April 2013, the court found in favor of the Sociedad Boliviana de Cemento, S.A. and ordered the payment of U.S.\$93,354,000, which has been appealed by the Government. The court of appeals annulled the claim based upon lack of proper jurisdiction. Sociedad Boliviana de Cemento, S.A. has filed a special appeal (<i>casación</i>) before the Supreme Tribunal of Justice.
South American Silver Limitada v. Estado Plurinacional de Bolivia	On April 30, 2013, the claimant initiated arbitration proceedings against us at the forum of the United Nations Commission on International Trade Law. (CPA matter No. 2013-15)	The claimant alleges violations to the Bolivia-United Kingdom Bilateral Investment Treaty and international law arising out of the nationalization of the mining concession Mallku Khota. The claimant arises to U.S.\$385.7 million.	Hearings were held in Washington, D.C., in the United States in July 2016. We presented our post-hearing briefs on October 31, 2016. We are currently awaiting the decision from the arbitral tribunal.

Parties	Forum	Dispute	Current Situation
Global Energy Commodity Resources (Glencore) v. Estado Plurinacional de Bolivia	Not assigned.	On February 7, 2007, per Supreme Decree No. 29026, the property of Vinto's Metallurgical Complex – Vinto's Tin Smelting (<i>Complejo Metalúrgico Vinto – Fundición de Estaño Vinto</i>), operated by Sinchi Wayra, was returned to Bolivia due to a violation in the public bid adjudication of Empresa Metalurgica Vinto in favor of Allied Deals PLC that resulted in economic damages to Bolivia. Per Supreme Decree No. 499 dated May 1, 2010, the property of the Vinto's antimony Metallurgical Complex or Vinto's Antimony Plant (<i>Complejo Metalúrgico Vinto – Antimonio o Planta de Vinto Antimonio</i>), was returned to Bolivia. Per Supreme Decree No. 1264 dated June 20, 2012, the control of the Coloquiri Mine Center (<i>Centro Minero Coloquiri</i>), was assumed by Bolivia through COMIBOL. Per public interest reasons and social benefit the machinery, equipment and supplies of Coloquiri Mine Center (<i>Centro Minero Coloquiri</i>) and/or Sinchi Wayra S.A. (formerly COMSUR S.A.). The amount claimed has not be determined.	On July 19, 2016, Bolivia was notified that arbitration proceedings had been instituted. The parties are in the process of appointing the arbitrators that will constitute the arbitration panel.

THE BOLIVIAN ECONOMY

Overview

Our economy has historically had a single-commodity focus and has 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 that allows the public sector to actively participate in the economy by increasing investment and creating state enterprises. See “The Bolivian Economy—New Economic, Social, Communitarian and Productive Model.” One of the pillars of this economic model is 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 16.8% in 2015, and moderate poverty, from 60.6% in 2005 to 38.6% in 2015. See “Bolivia—Social Welfare Programs.”

Our development plan is ambitious, particularly in the areas of infrastructure, hydrocarbons, mining and energy, with the total amount of planned investments over the next five years approaching U.S.\$48,574 million. 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 the goal of 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 regulating foreign investment in Bolivia. Nonetheless, in 2013 and 2014 our levels of foreign direct investment reached their highest levels in 15 years, at U.S.\$2,030 million and U.S.\$2,113 million, respectively. In 2015 our foreign direct investment decreased to U.S.\$1,060 million, a decrease of 49.83% compared to 2014, primarily due to a fall in commodity prices that affected the hydrocarbon and mining sectors.

Despite the global financial crisis that began in 2008, we generally benefited from favorable economic conditions between 2006 and 2015. Our economy and public finances strengthened significantly during this period as a result of real GDP growth, increased exports, increased 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 2015, while real GDP growth rose from an average of 3.3% between 2000 and 2006 to an average of 5.1% between 2007 and 2015. 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 U.S.\$2,546.0 million of December 31, 2015. See “The External Economy.”

Our economy has been growing for the last two decades. Between 1996 and 2005, we experienced average real GDP growth of 3.3% annually, while between 2006 and 2015 real GDP grew at an average of 5.0%. Growth in recent years has been driven by the increase in domestic demand. Real GDP grew by 4.8% in 2015, compared to 5.5% and 6.8% in 2014 and 2013, respectively. The decreases of the real GDP growth in each of 2014 and 2015 as compared to 2013 was primarily the result of lower demand of natural gas from Brazil and lower international prices of minerals which resulted in a contraction of the mineral sector by 1.4%. According to the World Economic Outlook published by the IMF, in 2015 and 2014, we were the fastest growing economy in South America. Twelve-month inflation dropped in 2015 to 3.0%, compared to 5.2% in 2014 and 6.5% in 2013.

New Economic, Social, Communitarian and Productive Model

The Government has set as an objective moving from a pattern of primary export to a pattern of industrialization and productive development. In order to achieve this objective, we have implemented a new economic, social, communitarian and productive model. 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 raw materials exports. Our objective is to change our historic pattern of relying primarily on raw materials exports 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 this goal 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 2015, real GDP increased at an average of 5.1% and peaked at 6.8% in 2013, the highest rate of growth in 35 years. The Bolivian economy continued its growth trend in 2015, registering real annual GDP growth of 4.8%, compared to 5.5% in 2014 and 6.8% in 2013, which was primarily the result of increased domestic demand rather than external demand. Of the 4.8% growth in real GDP in 2015, 5.0% was due to domestic demand growth and -0.1% was due to external demand growth, compared to 7.1% and -1.6%, respectively, in 2014. The increase in domestic demand was primarily the result of increased household consumption and public and private investment.

The goods and services sectors of the economy accounted for 45.8% and 46.6% of real GDP in 2015, respectively, compared to 46.5% and 46.1% in 2014, respectively. Import duties, Value Added Tax (“VAT”), transaction and other indirect taxes, which are added to GDP at basic prices to arrive at total GDP, accounted for 12.3% of real GDP in 2015 compared to 11.9% in 2014. The principal goods sectors of the economy in 2014 and 2015 according to real GDP were manufacturing, accounting for 27.9% of real GDP in 2015 and 28.7% in 2014; including petroleum and natural gas, accounting for 6.7% of real GDP in 2015 and 7.2% in 2014, and minerals, accounting for 5.0% of real GDP in 2015 and 5.3% in 2014, and agriculture, forestry, hunting and fishing, accounting for 11.9% of real GDP in both 2015 and in 2014. Finance, insurance, real estate and business services collectively accounted for 12.1% of real GDP in 2015 and 11.9% in 2014, while transportation and communications accounted for 11.0% of real GDP in both 2015 and in 2014. The public services sector accounted for 9.9% of real GDP in 2015 and 9.5% in 2014, while the commerce sector accounted for 7.6% of real GDP in both 2015 and in 2014.

All sectors of the economy grew in 2015 with the exception of the crude oil, natural gas and minerals sectors. The electricity, gas and water, and construction sectors grew by 5.7% in 2015, compared to 7.3% in 2014. The agriculture, forestry, hunting and fishing sector grew by 5.1% in 2015, compared to 3.8% in 2014. Manufacturing grew by 2.0% in 2015, compared to 4.8% in 2014, while petroleum and natural gas decreased by 1.38% in 2015, compared to growth of 5.73% in 2014.

The services sector grew by 6.0% in 2015, compared to 5.3% in 2014. Finance, insurance, real estate and business services grew by 6.1% in 2015, compared to 6.0% in 2014, and transport and communications grew by 5.3% in 2015, compared to 5.0% in 2014. Public services grew by 9.4% in 2015, compared to 6.9% in 2014, and commerce and restaurants and hotels grew by 4.4% and 4.2%, respectively, in 2015, compared to 3.9% and 3.9%, respectively, in 2014. Communal, social and personal services grew by 3.9% in 2015, compared to 4.1% in 2014.

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

For Year Ended December 31,										
2011		2012		2013		2014(p)		2015 (p)		
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	22.9	13.8	25.2	13.4	29.3	13.8	33.5	14.7	39.8	17.5
Final Consumption of Households and NPISH(2)	100.9	60.7	111.4	59.5	127.5	60.2	143.5	62.9	158.1	69.3
Changes in Inventories	1.4	0.9	(1.3)	(0.7)	(0.0)	(0.0)	0.1	0.1	(4.7)	(2.1)
Gross Fixed Capital Formation	31.5	19.0	34.4	18.4	40.4	19.1	47.8	21.0	48.6	21.3
Exports of Goods and Services	73.3	44.1	88.3	47.2	93.4	44.1	98.7	43.3	70.4	30.9

	For Year Ended December 31,									
	2011		2012		2013		2014(p)		2015 (p)	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in billions of Bs., except percentages)									
Less: Imports of Goods and Services	63.8	(38.4)	70.7	(37.8)	78.7	(37.2)	95.7	(42.0)	84.2	36.9
GDP	166.2	100.0	187.2	100.0	211.9	100.0	228.0	100.0	228.0	100.0

Source: National Institute of Statistics

(p) Preliminary.

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

Sectoral Origin of Real Gross Domestic Product

	For Year Ended December 31,									
	2011		2012		2013		2014(p)		2015(p)	
	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	1.9	5.5	1.9	5.3	2.0	5.1	2.0	5.0	2.1	5.0
Industrial Agricultural										
Products	0.7	2.0	0.8	2.1	0.9	2.2	0.9	2.2	1.0	2.4
Coca	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1
Livestock Products.....	1.3	3.8	1.4	3.8	1.4	3.7	1.5	3.7	1.6	3.6
Forestry, Hunting and Fishing	0.3	0.9	0.3	0.9	0.3	0.9	0.3	0.8	0.3	0.8
Total.....	4.2	12.4	4.4	12.3	4.6	12.0	4.8	11.9	5.1	11.9
Petroleum and Natural										
Gas.....	2.1	6.1	2.4	6.7	2.7	7.1	2.9	7.2	2.9	6.7
Minerals.....	2.1	6.1	2.0	5.5	2.0	5.3	2.2	5.3	2.1	5.0
Manufacturing										
Food, Beverages and										
Tobacco	3.0	8.7	3.2	8.8	3.3	8.6	3.4	8.3	3.6	8.4
Other Industries	2.7	7.9	2.8	7.8	3.0	7.9	3.2	7.9	3.3	7.8
Total.....	9.9	28.8	10.4	28.7	11.1	28.9	11.6	28.7	11.9	27.9
Electricity, Gas and										
Water	0.7	2.1	0.8	2.1	0.8	2.1	0.8	2.1	0.9	2.1
Construction.....	1.2	3.6	1.3	3.7	1.5	3.8	1.6	3.9	1.7	3.9
Total Goods	1.9	5.6	2.1	5.8	2.2	5.8	2.4	6.0	2.6	6.0
Commerce.....	2.8	8.1	2.9	8.0	3.0	7.8	3.1	7.6	3.2	7.6
Transport and Communications.....	3.9	11.3	4.0	11.0	4.2	11.0	4.4	11.0	4.7	11.0
Finance, Insurance, Real Estate and Business Services	3.9	11.4	4.3	11.9	4.6	11.9	4.8	11.9	5.1	12.1
Communal, Social and Personal Services.....	1.4	4.0	1.4	3.9	1.5	3.4	1.5	3.7	1.6	3.7
Restaurants and Hotels.....	0.9	2.6	0.9	2.5	0.9	2.4	1.0	2.4	1.0	2.4
Public Services	3.1	9.1	3.3	9.1	3.6	9.4	3.9	9.5	4.2	9.9
Total Services	15.9	46.3	16.7	46.4	17.8	46.2	18.7	46.1	19.8	46.6
Financial										
Intermediation	(1.2)	(3.6)	(1.5)	(4.3)	(1.7)	(4.5)	(1.8)	(4.5)	(1.9)	(4.7)

	For Year Ended December 31,									
	2011		2012		2013		2014(p)		2015(p)	
	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)										
Services Indirectly Measured (FISIM)										
GDP at Basic Prices.....	30.7	89.5	32.0	88.9	34.1	88.5	35.8	88.1	37.3	87.8
Import Duties, VAT, Transaction and Other Indirect Taxes	3.6	10.5	4.0	11.1	4.4	11.5	4.8	11.9	5.2	12.3
GDP	34.3	100.0	36.0	100.0	38.5	100.0	40.6	100.0	42.5	100.0

Source: National Institute of Statistics

(p) Preliminary.

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

	For Year Ended December 31,				
	2011	2012	2013	2014(p)	2015(p)
	(%)				
Agriculture, Forestry, Hunting and Fishing					
Non-Industrial Agricultural Products	2.0	2.2	2.9	3.1	3.8
Industrial Agricultural Products	7.1	10.0	10.8	5.3	11.5
Coca.....	3.1	2.9	0.8	0.1	1.1
Livestock Products	2.9	4.1	4.3	4.5	3.8
Forestry, Hunting and Fishing	1.5	3.1	3.2	1.8	2.3
Total	3.1	4.2	4.7	3.8	5.1
Petroleum and Natural Gas	7.1	14.7	14.0	5.7	(1.4)
Minerals.....	3.4	(5.0)	2.9	6.0	(1.4)
Manufacturing					
Food, Beverages and Tobacco.....	3.9	5.9	4.0	2.5	5.1
Other Industries	4.5	3.4	8.4	6.7	4.0
Total	4.3	4.8	7.3	4.8	2.0
Electricity, Gas and Water	7.3	5.8	5.1	6.4	6.3
Construction	8.0	8.0	10.6	7.8	5.4
Total Goods	7.7	7.2	8.6	7.3	5.7
Commerce.....	3.6	3.8	3.9	3.9	4.4
Transport and Communications.....	6.1	2.7	6.7	5.0	5.3
Finance, Insurance, Real Estate and Business Services.....	3.5	9.9	6.8	6.0	6.1
Communal, Social and Personal Services.....	2.7	3.5	3.2	4.1	3.8
Restaurants and Hotels	3.0	3.4	3.3	3.9	4.2
Public Services	6.1	5.9	9.5	6.9	9.4
Total Services	4.6	5.4	6.3	5.3	6.0
Financial Intermediation Services Indirectly Measured (FISIM)	5.8	24.1	11.7	7.1	7.8
GDP at Basic Prices.....	4.4	4.4	6.3	5.0	4.5
Import Duties, VAT, Transaction and Other Indirect Taxes	12.5	11.4	10.7	9.0	7.7

	For Year Ended December 31,				
	2011	2012	2013	2014(p)	2015(p)
GDP	5.2	5.1	(%) 6.8	5.5	4.8

Source: National Institute of Statistics

(p) Preliminary.

Principal Sectors of the Economy

Manufacturing

The manufacturing sector accounted for 27.9% of real GDP in 2015, 28.7% in 2014 and 28.9% in 2013. The favorable performance of our agricultural sector in 2015 accounted for 11.9% of real GDP. See “The Bolivian Economy—Agriculture, Forestry, Hunting and Fishing.” On the whole, the manufacturing sector grew by 2.0% in 2015, compared to 4.8% in 2014 and 7.3% in 2013. The growth in 2015 was principally due to the food, beverages and tobacco industries, which grew by 5.1% in 2015.

Livestock production increased by 3.8% in 2015 as compared to 2014, which was primarily the result of the implementation of the new Financial Services Law that allows the use of non-conventional guarantees (livestock, machinery and others) as collateral for credits in the financial system. Moreover, we have continued our projects aimed at increasing livestock. Cattle production also increased in 2015 as compared to 2014. Other manufacturing industries grew by 4.0% in 2015, which was primarily the result of a 5.5% increase in the refining of petroleum products in 2015 as compared to 2014.

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

	For Year Ended December 31,				
	2011	2012	2013	2014 ^(p)	2015 ^(p)
(in millions of Bs. at constant 1990 prices)					
Food, Beverages and Tobacco					
Fresh and Processed Meats	519.2	540.8	564.4	588.3	616.0
Milk Products	252.8	264.7	275.6	286.3	298.4
Grain Mill and Bakery	549.7	568.2	588.9	611.5	640.2
Sugar and Confectionery	255.5	272.4	258.0	210.4	215.5
Miscellaneous Food Products	438.4	490.8	535.8	570.2	615.6
Beverages	950.0	1,006.0	1,048.7	1,088.7	1,140.6
Tobacco	30.6	30.5	30.4	29.7	30.9
Total	2,996.1	3,173.4	3,301.5	3,385.1	3,557.2
Other Industries					
Textiles, Apparel and Leather Products	483.8	490.5	500.1	513.6	522.6
Wood and Wood Products	361.9	368.7	380.2	384.4	395.7
Paper and Paper Products	160.0	168.0	173.2	179.7	186.1
Substances and Chemicals	276.1	285.1	297.6	309.1	317.1
Petroleum Refinery Products	609.7	646.7	745.7	806.2	851.0
Nonmetallic Mineral Products	659.9	677.4	756.2	827.9	861.5
Metal Commodities	47.0	47.9	48.6	51.2	52.1
Metal Products, Machinery and Equipment	62.6	63.8	64.6	67.6	68.9
Miscellaneous Fabricated Products	38.8	44.6	61.6	59.7	73.6
Total	2,699.8	2,792.8	3,027.7	3,199.4	3,328.6
Total Manufacturing	5,695.9	5,966.2	6,329.2	6,584.5	6,885.8

Source: National Institute of Statistics

(p) Preliminary.

(e) Official estimate.

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

	For Year Ended December 31,				
	2011	2012	2013	2014(p)	2015(p)
			(%)		
Food, Beverages and Tobacco	3.9	5.9	4.0	2.5	5.1
Fresh and Processed Meats	3.7	4.2	4.4	4.2	4.7
Milk Products	4.2	4.7	4.1	3.9	4.2
Grain Mill and Bakery	2.7	3.4	3.6	3.8	4.7
Sugar and Confectionery	8.3	6.6	(5.3)	(18.4)	2.4
Miscellaneous Food Products	2.9	12.0	9.2	6.4	8.0
Beverages	4.1	5.9	4.2	3.8	4.8
Tobacco	(4.0)	(0.2)	(0.4)	(2.1)	3.8
Other Industries	3.5	3.4	8.4	5.7	4.0
Textiles, Apparel and Leather Products	2.2	1.4	2.0	2.7	1.8
Wood and Wood Products	1.2	1.9	3.1	1.1	2.9
Paper and Paper Products	3.0	5.0	3.1	3.7	3.6
Substances and Chemicals	4.1	3.3	4.4	3.9	2.6
Petroleum Refinery Products	2.5	6.1	15.3	8.1	5.7
Nonmetallic Mineral Products	11.0	2.7	11.6	9.5	4.1
Metal Commodities	(0.0)	1.9	1.6	5.3	1.7
Metal Products, Machinery and Equipment	2.1	1.9	1.2	4.7	1.9
Miscellaneous Fabricated Products	(35.7)	15.0	38.1	(3.0)	23.3
Total Manufacturing	3.68	4.8	6.1	4.0	4.6

Source: National Institute of Statistics

(p) Preliminary.

(e) Official estimate.

Agriculture, Forestry, Hunting and Fishing

The agriculture, forestry, hunting and fishing sector accounted for 11.9% of real GDP in 2015, 11.9% in 2014 and 12.0% in 2013. In 2015, the agriculture, forestry, hunting and fishing sector experienced growth of 5.1%, compared to 3.8% in 2014 and to 4.7% in 2013. The 5.1% growth registered in 2015 was primarily the result of a greater dynamism of the industrial agricultural production, followed by non-industrial agricultural production and livestock production. Another important factor in the increase of this sector in 2015 was government support through the creation of fertilization companies, seed companies, agricultural insurance, mechanization programs, the national program for the promotion and development of livestock and milk, the opening of new markets and encouraging production, and the implementation of credit services.

Industrial agricultural production grew by 11.5% in 2015 as compared to 2014, which was primarily due to a positive performance in the production of soy beans and sugarcane.

The following table shows agricultural production for the five agriculture years (July 1st through June 30th) ended 2011–2016:

Agricultural Production

	2011– 2012(1)(p)	2012– 2013(1)(p)	2013– 2014(1)(p)	2014– 2015(1)(p)	2015– 2016(1)(p)
	(in metric tonnes)				
Grains					
Paddy Rice.....	559,965	392,523	449,279	453,522	441,765
Oat	14,077	30,687	14,025	14,259	14,287
Cañahua	771	310	710	687	705
Barley Grain	50,922	45,503	52,297	52,901	53,017
Rye.....	368	240	363	361	367
Maize Grain (2)	1,124,171	845,982	1,245,357	1,251,243	1,235,200
Quinoa	82,129	34,055	38,008	44,448	63,414
Sorghum Grain (2).....	402,788	598,272	959,357	895,276	876,883
Wheat (2).....	123,075	147,196	302,915	352,872	277,169
Stimulants					
Cacao	5,927	1,955	5,111	4,936	4,963
Coffee	11,604	13,298	10,343	10,297	13,144
Tea	1,263	434	1,325	1,322	1,264
Fruit					
Banana	276,000	217,568	216,531	220,877	218,894
Plum.....	2,184	1,314	2,169	2,101	2,122
Chirimoya	2,535	647	23,262	2,625	2,689
Peach	46,054	13,333	49,481	49,190	50,086
Strawberry	2,914	1,867	2,881	2,879	2,906
Cherry	68	46	63	64	69
Fig.....	818	228	760	773	797
Lime.....	7,081	3,799	6,771	6,859	7,030
Lemon.....	1,842,716	15,265	73,576	70,523	70,849
Tangerine.....	208,550	73,184	205,618	207,841	209,589
Mango.....	18,740	8,902	18,278	18,532	18,779
Apple	2,339	1,305	2,190	2,215	2,274
Quince	169	69	103	106	146
Orange	148,816	125,989	151,989	153,377	158,949
Avocado.....	14,201	4,605	14,291	14,796	14,820
Papaya	23,519	7,892	23,185	22,657	20,007
Pear	1,819	1,422	1,757	1,769	1,798
Pineapple	66,176	54,878	54,924	54,915	55,008
Plantain	305,168	151,947	313,511	314,674	325,068
Grapefruit	4,287	2,501	3,902	3,996	4,195
Watermelon	1,683,408	26,406	1,657,245	62,769	63,095
Prickly pear.....	5,069	2,763	4,953	4,929	4,952
Grape	28,863	18,595	26,109	24,622	25,147
Vegetables					
Pepper.....	2,671	1,587	2,628	2,603	2,610
Garlic	1,896	1,834	2,082	2,083	1,989
Peas.....	22,782	14,264	23,983	24,059	24,514
Beetroot	2,385	2,913	2,126	2,085	2,188
Onion	69,472	87,972	59,289	66,065	73,917
Cauliflower	447	822	403	443	465
Frijol Beans (2).....	87,130	66,195	92,732	96,646	98,915
Chickpea.....	271	118	229	233	255
Haba Beans	42,997	30,282	40,867	41,898	44,044
Lettuce	24,212	13,218	24,272	24,323	24,305

	2011– 2012(1)(p)	2012– 2013(1)(p)	2013– 2014(1)(p)	2014– 2015(1)(p)	2015– 2016(1)(p)
	(in metric tonnes)				
Locoto.....	3,964	7,880	3,907	3,921	3,964
Corn.....	12,378	11,590	13,963	14,048	13,857
Cucumber.....	2,556	3,132	182,924	2,474	2,403
Radish.....	579	106	485	520	567
Cabbage.....	3,662	10,667	3,334	3,353	3,396
Tomato.....	46,083	48,717	45,257	44,962	46,177
Green Bean.....	3,488	4,053	3,370	3,424	3,486
Carrots.....	24,243	54,263	24,166	26,516	27,176
Pumpkin.....	27,588	18,487	26,924	27,036	27,387
Agricultural Raw Materials					
Achiote (urucú).....	2,197	1,268	2,197	2,136	2,142
Cotton.....	4,416	1,507	467	1,327	4,076
Sugarcane.....	7,420,479	8,088,316	7,805,126	8,620,955	8,072,529
Sunflower (2).....	181,398	291,432	320,221	322,960	306,960
Peanuts.....	29,745	12,520	20,788	20,788	20,788
Sesame.....	13,024	6,663	6,939	7,158	7,051
Soy (2).....	2,455,353	2,628,107	3,203,881	3,078,286	3,103,243
Tobacco.....	970	1,179	528	906	918
Roots and Tubers					
Sweet Potato.....	4,182	3,644	3,880	3,903	4,024
Hualuza.....	3,212	1,081	3,053	3,155	3,242
Oca.....	18,250	18,614	17,417	17,572	17,935
Potatoe.....	913,823	612,769	934,410	1,029,170	1,092,129
Papaliza.....	9,925	6,998	9,576	9,696	9,832
Racacha.....	999	532	861	904	981
Yuca.....	274,260	94,286	251,553	255,019	259,447
Fodder					
Alfalfa.....	274,762	81,646	330,379	326,842	329,330
Collards oats.....	6,306	3,150	5,726	5,868	6,067
Barley Cabbage.....	90,282	60,047	83,717	84,128	85,640

Source: National Institute of Statistics, National Agricultural Survey

(p) Preliminary.

(1) An agriculture year runs from July 1st through June 30th.

(2) Includes the winter season of the previous year, which begins on July 1st.

The following table shows the livestock population for the four years ended December 31, 2015:

Livestock Population

	2011 ^(p)	2012 ^(p)	2013 ^(p)	2014 ^(p)	2015 ^(p)
Alpacas	383,047	392,641	444,273	412,244	418,857
Cattle	8,400,439	8,620,784	8,315,504	8,865,033	9,070,718
Goats.....	2,254,713	2,312,441	1,868,512	2,431,041	2,462,588
Llamas	2,694,840	2,764,273	2,062,162	2,881,896	2,915,288
Sheep	8,877,510	9,078,947	6,267,743	9,499,147	9,645,434
Pigs	2,712,800	2,787,973	1,415,274	2,941,827	2,997,507

Source: National Institute of Statistics, Ministry of Rural and Land Development

(p) Preliminary.

We have promoted the creation of several state-owned enterprises in the agricultural sector aimed at expanding the productive capacity of the country, contributing to food security and generating income and employment.

In 2007, we founded Empresa de Lacteos de Bolivia (LACTEOSBOL) with the object of producing and marketing dairy products. Currently, LACTEOSBOL has four dairy processing plants (Achacachi, Challapata, Ivirgarzama and San Lorenzo) and two citrus processing plants (Villa 14 de Septiembre and Caranavi). Between 2011 and 2015, this state-owned company processed 27.9 million liters of raw milk and 11 million liters of nectar, and generated Bs.987 million in sales.

In 2009, we founded Empresa Boliviana de Almendra y Derivados (EBA) in order to encourage domestic production of almonds. In 2015, EBA's production reached 100,400 almond boxes, equivalent to 2,208 tons, an increase of 53.0% from 65,600 boxes produced in 2014. With this new level of production, the state-owned company generated Bs.1.330 million in sales and about Bs.18 million in profits between 2011 and 2015.

In 2010, we founded Empresa Azucarera de San Buenaventura (EASBA). In 2015, the construction of the Industrial Sugar and Derivatives San Buenaventura Plant was completed, with an investment of U.S.\$270 million. In October 2015, EASBA's Industrial Plant, produced La Paz's first sugar quintal. We expect that the plant's production capacity will reach 14,000 quintals of sweetener per day, 7,000 tons of cane processed per day, 100,000 liters of potable alcohol per day, in addition to producing other products such as hydrolyzed bagasse (organic fertilizer and animal feed). This modern facility incorporates technology from France, China, Germany, United States, the Netherlands and Brazil, which improves production processes and quality controls, with a focus on environmental protection. It is expected that the plant will produce 30 megawatts (MW) of electricity.

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 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 "The Bolivian Economy—Nationalization Process." 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 6.7% of real GDP in 2015, 7.2% in 2014 and 7.1% in 2013. In 2015, the petroleum and natural gas sector decreased by 1.4%, compared to growth of 5.7% in 2014 and growth of 14.0% in 2013. This decrease was primarily the result of a decrease in gas prices, low oil prices and the reduction in gas demand from Brazil, as a result of the economic recession in Brazil.

Natural gas production decreased by 0.9% in 2015 as compared to 2014, principally in the San Alberto, Itaú, El Dorado Sur and Santa Rosa W fields. These four fields accounted for approximately 17.7% of total natural gas production in 2015. Gross production of natural gas averaged 59.2 million cubic meters per day in 2015, compared to 59.6 million cubic meters per day in 2014.

The decrease of natural gas production in 2015 was primarily the result of the reduction in demand from Brazil. Despite the economic slowdown observed in Brazil during 2015, the volume of natural gas transported to Brazil in 2015 averaged 32.26 million cubic meters per day, a decrease of 2.4% as compared to 33.06 million cubic meters per day in 2014.

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 decreased by 37.3% in 2015 as compared to 2014, which was primarily the result of the decrease in Brazil's demand for gas exports and a decrease in natural gas prices.

The natural gas purchase and sale agreement between YPFB and ENARSA was signed in 2006 and has a 20 year duration (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 and entered into force on May 1, 2010. The addendum provided for a minimum quantity of 7.7 million cubic meters per day in 2011 and 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 2015, an average of 15.75 million cubic meters of natural gas per day were exported to Argentina, at an average price of U.S.\$6.2 per million BTUs, an increase of 0.2% as compared to 15.72 million cubic meters in 2014.

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 (1999 through 2018). In February 2016, Brazil expressed its interest in continuing to purchase gas from Bolivia and extending the existing contract after its expiration in 2019. The agreement initially provided for 16 million cubic meters per day. Two addenda have been signed since, which establish a maximum volume of 30.08 million cubic meters per day. 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 2015, an average of 32.26 million cubic meters of natural gas per day were exported to Brazil, at an average price of U.S.\$5.9 per million BTUs, a decrease of 2.4% as compared to 33.06 million cubic meters in 2014.

In November 2016, the governments of Bolivia and Brazil through YPFB and Petrobras and Empresa Productora de Energía LTD ("EPE") entered into an agreement for hydrocarbon exploration in the areas of San Telmo and Astillero and an agreement to supply Bolivian gas to the Brazilian thermoelectric plant Mario Covas de Cuiabá. YPFB and EPE entered into a gas sales agreement for the purchase of 2.2 million cubic meters per day (MMMcd), at a price 15% higher than the current price paid by ENARSA.

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. 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.

Average daily natural gas production decreased by 0.7% in 2015 as compared to 2014 reaching 59.2 million cubic meters per day. Gross petroleum production averaged 60.8 thousand barrels per day in 2015, compared to 63.1 thousand barrels per day in 2014.

We refine petroleum to produce gasoline, diesel fuel and liquefied petroleum gas, all of which are in high demand in the domestic market due to the growth of the automobile fleet.

The largest refined fuel that we produce is "special gasoline" with a minimum octane level of 85, as compared to premium gasoline, which has a minimum octane level of 95. The refineries of YPFB Refinación accounted for

94.9% of special gasoline production in 2015, while the Oro Negro refinery accounted for the remaining 5.1%. Special gasoline production averaged 18,829.3 barrels per day in 2015, an increase of 0.7% as compared to 2014.

Diesel fuel is the second largest refined fuel produced in Bolivia. The refineries of YPFB Refinación accounted for 93.2% of diesel fuel production in 2015, while the Oro Negro refinery accounted for the remaining 6.8%. Diesel fuel production averaged 17,313.9 barrels per day in 2015, an increase of 11.9% as compared to 2014.

Liquefied petroleum gas is the third largest refined fuel produced in Bolivia. The refineries of YPFB Refinación accounted for 97.1% of liquefied petroleum gas production in 2015, while the Oro Negro refinery accounted for the remaining 2.9%. Liquefied petroleum gas production was 158,424 metric tons in 2015, an increase of 31.8% as compared to 2014, due to the beginning of operations of the “Carlos Villegas” plant.

In 2011, we began construction of the Rio Grande Liquid Separators (Santa Cruz) Plant and in 2012, we began the construction of the Gran Chaco “Carlos Villegas Quiroga” (Tarija) Plant designed to separate liquefiable surplus contained in the natural gas destined to Brazil and Argentina, and to increase the production of liquefied petroleum gas (LPG) and natural gas.

The Rio Grande Liquid Separators Plant began operations in May 2013, and has allowed us to meet the domestic demand for LPG, halt the export of rich gas to Brazil and to generate revenue from export sales to neighboring countries.

The construction of the Gran Chaco “Carlos Villegas Quiroga” Liquids Separation Plant was concluded in August 2015 at a total investment of U.S.\$694 million. This facility is one of the largest in South America and at maximum capacity it will reach production levels of 2,247 MT/day of LPG, 1,658 Bbl/day of gasoline, 3,144 MT/day of ethane, 1,044 Bbl/day of isopentane, which is at least five times greater than production levels at the Rio Grande Plant. Approximately 80% of the LPG will be exported and the rest will be used to supply the domestic market.

We import diesel fuel in order to satisfy domestic demand. Diesel fuel imports averaged 427,691.2 barrels per month in 2015, a decrease of 12.3% as compared to 2014.

We were liquefied petroleum gas importers until August 2013, when the “Rio Grande” plant began production of liquefied petroleum gas, which we now export. Two and a half years after starting its operations, the plant produced 278,839 MT of liquefied petroleum gas.

We also expect the construction of the Liquefied Natural Gas Plant (LNG) in the municipality of Cabezas, department of Santa Cruz, to have significant social and economic impact. With the construction of this plant, at an investment of U.S.\$198 million, we expect to supply natural gas to 60 remote villages of the country that are currently inaccessible via pipeline distribution.

We provide fuel subsidies to the general population (which resulted in the domestic price of special gasoline representing on average 40.7% of international prices in 2014) in order to support domestic production and decrease imports. The total cost of these subsidies was Bs.243 million in 2015 and Bs.718 million in 2014.

Bolivia has several industrialization projects in the hydrocarbon sector. On September 14, 2012, YPFB signed an agreement with Samsung Engineering Co. Ltd. for the construction of an ammonia-urea plant. On May 10, 2013 we inaugurated a liquids separation plant in Rio Grande, Santa Cruz, with the capacity to process 6.5 million cubic meters per day of gas (MCF) and to produce LPG, gasoline and isopentane mainly for pharmaceutical and cosmetic industries. A second liquid separation plant is currently in operation in the Gran Chaco. We also have in process projects to build a propylene polypropylene plant and a LPG plant. In May 2016, we launched an international public competitive bidding for the basic engineering studies for a Propylene Polypropylene Petrochemical Plant. Construction is scheduled to begin in the second semester of 2017, and its operations are scheduled to begin in the last quarter of 2021.

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

Average Daily Natural Gas and Petroleum Production

	For Year Ended December 31,				
	2011	2012	2013	2014	2015
Natural Gas (in millions of cubic meters per day)					
YPFB Corporation(1)	9.3	10.3	11.3	11.5	11.2
Other operators(2).....	34.2	39.2	45.2	48.2	48.0
Total	43.5	49.5	56.5	59.6	59.2
Petroleum (in thousands of barrels per day)					
YPFB Corporations (1).....	8.2	8.9	9.1	8.7	7.9
Other operators(2).....	36.2	42.5	50.0	54.4	52.8
Total	44.4	51.3	59.1	63.1	60.8

Source: YPFB

(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.

On May 28, 2014, after some social protests, a new mining law was enacted, which provides for several types of authorizations or contracts related to mining, 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 others, the migration from a concession regime to a new administrative contracts regime. In addition, in May 2013, a criminal law was enacted penalizing the illegal appropriation or commercialization of mining resources without the approval of the Mining Corporation of Bolivia.

The Mining and Metallurgy Law, enacted on May 28, 2014, establishes that natural mineral resources are property of the Bolivian State. This law promotes economic development through mining and metallurgy and requires all mining activities to be subject to technical, environmental and economic planning, under periodic supervision. This law seeks to diversify investments and promote industrialization across the chain of production from the exploration of new deposits to processing. The main aspects of this law include greater state participation, the annulment of hereditary concessions and power by the Government over any agreements among cooperatives and private persons.

The minerals sector accounted for 5.0% of real GDP in 2015, 5.3% in 2014 and 5.3% in 2013. In 2015, the mining sector declined by 1.4%, after growing by 6.0% in 2014 and by 2.9% in 2013. The decrease in the mining sector in 2015 was primarily the result of a decrease in copper, lead, gold, zinc, silver and antimony mining production due to lower international prices of these minerals and the global economic slowdown. The increase in 2014 was primarily the result of an increase in copper, gold, zinc, tin and silver mining production. Despite decreases in mining production, Bolivian economic growth remains resilient. Because most of the production of this sector is for export (the remaining for domestic inventory buildup and manufacturing), the production and commercialization of minerals are closely linked to international prices and external commercial expectations. In 2015, the production of minerals declined by 5.33% as compared to 2014, with the production of copper, lead, gold, zinc, silver and antimony mining decreasing by 3.14%, 3.42%, 53.39%, 5.97%, 5.84% and 11.55%, respectively, as

compared to 2014. Copper production in Coro Coro began in 2009 registering production of 212 metric tons. By 2015 it registered a production of 1,789 metric tons. We expect to produce 1,933 metric tons in 2016.

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.

During 2015, we continued implementing the comprehensive project of industrialization of lithium in three phases, in addition to continuing the construction of the experimental station in the Salar de Coipasa.

During Phase I, the Potassium Chloride (KCl) pilot plant was completed in August 2012 and the Lithium Carbonate plant (Li_2CO_3) pilot plant was completed in January 2013. In 2015, these plants produced a total of 2,578 metric tons of KCl, 14,745 kilograms of Li_2CO_3 with commercial grade, 220 kilograms of Li_2CO_3 grade battery, plus 7,222 tons wet Magnesium chloride. The revenue generated by the sales of KCl and magnesium chloride amounted to Bs.6 million between 2013 and 2015.

During Phase II, we began the development of the Uyuni Salt Flat (*Salar de Uyuni*) Industrial Plant to achieve industrial production of lithium carbonate and potassium salts. In August 2015, the National Management of Evaporitic Resources (*Gerencia Nacional de Recursos Evaporíticos* – GNRE) and the German company K-UTEC AG Salt Technologies entered into an agreement for the final design of the construction of an industrial lithium carbonate plant.

Phase III entails the operation of the Pilot Lithium Battery Plant and the Center for Research in Science and Technology (CICYT) and the construction and operation of Industrial Plant of Cathode Materials. In February 2014, after concluding the installation and calibration, the Pilot Lithium Battery Plant was inaugurated. Since July 2014, the plant conducts more than 5,000 assembly tests and testing of high and low capacity batteries. In November 2015, the Mining Corporation of Bolivia (*Corporación Minera de Bolivia* – COMIBOL) and the French company ECM Green Tech, entered into an administrative agreement for the installation of a pilot plant and a research project for cathode materials in the industrial complex of La Palca. On January 22, 2017, pursuant to Supreme Decree No. 3058, the National Estrategic Public Company for Evaporite Resources (*Empresa Pública Nacional Estrategica de Recursos Evaporiticos*) was created with the objective of furthering the lithium industrialization projects carried out by COMIBOL. There is currently a proposal before the Plurinational Legislative Assembly for the creation of the public company denominated “Yacimientos de Litio Bolivianos,” with the purpose of developing the lithium industry. If this proposal is approved, this new entity will replace the National Estrategic Public Company for Evaporite Resources.

After 28 years of inactivity, the Karachipampa metallurgical complex began operations in January 2013, and it currently processes 51,000 tons of silver and lead concentrates on an annualized basis. In September 2014, Karachipampa’s casting plant, located at Potosí, began its operations producing lead ingots, but a malfunction in the oven caused the suspension of its operations. In 2015, it restarted its operations and in April of the same year, it exported to Peru 1,920 high-quality lead ingots for more than Bs.1 million. The metallic refined lead exported to Peru, with purity of 99.9688%, was appraised with a net weight of 81 fine metric tons.

Bolivia has one of the world’s largest reserves of iron and is seeking a strategic partner to exploit what has been estimated to be 40 billion tons of iron and 10 billion tons of manganese. During 2014, Empresa Siderúrgica Mutún (“ESM”) started its process of socialization, consultation, review, modification and approval of the National Steel Plan (*Plan Siderurgico Nacional*; “PSN”), to industrialize Mutún’s iron with the active participation of the State Metallurgical Mining Sector and Bolivian Public Universities. ESM’s Board of Directors approved the PSN, and as a consequence, the Government, through the Ministry of Mining and Metallurgy, supported its implementation, committing external credit efforts to finance the first stage of the Plan.

In August 2016, members of mining cooperatives protested the amendment of the Mining Law with roadblocks. Protestors claimed the right to enter into partnership contracts with national or foreign private firms. The Government was open to dialogue with the protestors. These protests turned violent and resulted in the death of a deputy minister of the Government who was kidnapped by protestors after he attempted to negotiate with the miners. After these events, the protests ended. Law No. 845, dated October 24, 2016, introduced certain changes in

the Mining Law, including the return to the state of those areas where mining cooperatives have agreements with national or foreign companies.

We completed the installation of the “Ausmelt type Smelting Furnace” in September 2015, at an investment of U.S.\$40 million. This facility produces ingots of metallic tin and in the medium-term we expect to increase our annual tin production from 12,000 tin fine metric tons (TMF) to 18,000 tin TMF. This furnace is the largest technological renovation undertaken by Empresa Metalurgica Vinto, and is the world’s fourth largest smelter, after two smelters in China and one in Peru.

The following table shows mineral production for the periods indicated:

Mineral Production

	For Year Ended December 31,				
	2011	2012	2013	2014 ^(p)	2015 ^(e)
	(in fine tonnes)				
Copper	4,176.5	8,653.2	7,548.8	10,746.1	10,408.2
Lead	100,051.1	81,095.1	82,130.6	75,571.8	72,896.2
Gold	6.5	7.0	6.8	24.8	11.6
Zinc	427,128.5	389,911.0	407,331.9	448,970.4	422,147.0
Tin	20,372.6	19,701.5	19,287.3	19,791.4	19,891.3
Silver	1,213.6	1,205.8	1,287.2	1,345.0	1,266.5
Tungsten	1,417.6	1,572.8	1,580.3	1,578.5	1,705.1
Antimony	3,947.3	5,081.2	5,052.6	4,185.5	3,702.2

Source: Ministry of Mining and Metallurgy

(p) Preliminary.

(e) Estimated.

Finance, Insurance, Real Estate and Business Services

Finance, insurance, real estate and business services collectively accounted for 12.1% of real GDP in 2015 and 11.9% in 2014 and 2013. The finance, insurance, real estate and business services sector continued its positive growth in 2015, growing by 6.1% in 2015, compared to 6.0% in 2014 and 6.8% in 2013. This increase was primarily the result of the growth in financial business services due to the strong economic growth. Higher income for the Bolivian people was reflected in higher levels of savings and credit. Credit risk has decreased since 2006 as our economy has become increasingly “bolivianized.” See “The Monetary System.”

The Financial Services Law and its regulatory decrees establish maximum rates for credits of public interest housing and loans for the productive sector. This law and its regulations, did not significantly affect the profitability of the financial system the financial sector had good performance with a return over investment of 13.4 in 2015, 15.6 in 2014 and 13.3 in 2013. In addition, the asset quality remained good and there was a loan default rate of 1.5%, similar to that of the two previous years. See “The Monetary System.”

With respect to insurance, in 2015 the penetration indicators (revenue relative to GDP) and density (income relative to the population) increased, showing that the insurance market is a growing market with significant potential in the country.

Transport and Communications

The transportation and communications sector accounted for 11.0% of real GDP in 2015, 2014 and in 2013. In 2015, the transport and communications sector grew by 5.3%, compared to 5.0% in 2014 and 6.7% in 2013, which was primarily the result of higher production in the transport and storage sectors, favored by a growth of 26.4% in the air transport sector, as compared to 2014, due to an increase in passenger and cargo transportation, additional airports and new routes.

The state-owned airline Boliviana de Aviación, which began operations in 2009, saw a 31.65% increase in passengers in 2015 as compared to 2014, reaching 2.9 million passengers. Aggregate air transport increased by 26.4% in 2015 as compared to 2014, though this was primarily the result of an increase in air transport of passengers and cargo. Between 2010 and 2014, Boliviana de Aviación added international routes to Buenos Aires, Argentina, São Paulo, Brazil, Madrid, Spain, Trinidad and Tobago, Salta, Argentina and Miami, United States and in 2015, it added national routes to Uyuni.

In 2015, public investment in public roads and highways contributed to the interconnection of the country. Among the most important projects are the completion of the first two-way road between La Paz and Oruro, the double track road Quillacollo-Suticollo and Sacaba-CHINATA in Cochabamba. Additionally, we continued with the construction of the Rurenabague-Riberalta highway, the double track bridge Ichilo-Ivirgarzama and the two-way road Caracollo-Confital.

Other than Entel, the communications sector consists of private companies. There are 30 companies that offer public telephone service, 25 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 order to implement new information and communications technology, the Government authorized the purchase of a satellite, called “Tupac Katari,” which was launched and began operations during 2014. This satellite is expected to be operational for 15 years and will provide communication services throughout the country. Currently the satellite’s capacity is at 75%, and we expect to reach full capacity by the end of 2017. There is a preliminary project to launch a second satellite by the end of 2017.

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 offer regulatory incentives to operators. In 2015, phone operators invested U.S.\$564.1 million, of which U.S.\$534.8 million was invested by mobile services operators. Entel S.A., the state-owned company, invested U.S.\$336.5 million, equivalent to 59.6% of the total investment in 2015. These investments were primarily aimed at the deployment and strengthening of the networks and for state of art mobile technologies to broaden Internet access.

Our strategy in the communications sector is to provide universal access to telecommunications services, improve competitiveness, encourage growth and innovation, facilitate a shift to high speed systems and networks, improve quality and enhance coverage in the domestic market.

Construction

The construction sector accounted for 3.9% of real GDP in 2015 and 2014, and 3.8% in 2013. In 2015, construction activity continued to increase, growing by 5.4% in 2015, compared to 7.8% in 2014 and 10.6% in 2013, which was primarily the result of public investment in infrastructure, principally in highways, roads, railroads, landing tracks and airports, as well as dams, irrigation and water purification works and industrial plants.

Public Services

The public services sector produces services for public consumption. The public services sector accounted for 9.9% of real GDP in 2015, 9.5% in 2014 and 9.4% in 2013. In 2015, the public services sector grew by 9.4%, compared to 6.9% in 2014 and 9.5% in 2013.

Commerce

The commerce sector is composed of both wholesale and retail sales of new and used goods. The commerce sector accounted for 7.6% of real GDP in 2015 and 2014 and 7.8% in 2013. In 2015, the commerce sector grew by 4.4%, compared to 3.9% in 2014 and in 2013.

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 3.7% of real GDP in 2015 and in 2014, and 3.8%

in 2013. In 2015, the communal, social and personal services sector grew by 3.8%, compared to 4.1% in 2014 and 3.2% in 2013.

Restaurants and Hotels

The restaurants and hotels sector accounted for 2.4% of real GDP in 2015 and grew by 4.2% in 2015, compared to 3.9% in 2014 and 3.3% in 2013.

The restaurants and hotels sector is an important component of tourism in Bolivia. Currently, tourism generates approximately 360,000 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.

In 2012, the General Tourism Law “Bolivia is waiting for you” (*Ley General de Turismo “Bolivia te espera”*) was enacted. The budget for the Ministry of Culture and Tourism increased from Bs.14 million in 2005 to Bs.108 million in 2013. In 2013, the Dakar Rally passed through Bolivian territory for the first time, generating economic activity of Bs.384 million. Since then, the Dakar Rally has a stage that runs through Bolivia each year, generating significant national and international tourism. In 2014, Empresa Estatal Boliviana de Turismo (BOLTUR) was created, and began operations to promote 10 non-traditional tourist destinations in each region of the country as part of the policies to promote local tourism.

Electricity, Gas and Water

The electricity, gas and water sector accounted for 2.1% of real GDP in 2015, 2014 and 2013. The electricity, gas and water services sector grew by 6.3% in 2015, compared to 6.4% in 2014 and 5.1% in 2013, which was primarily the result of increased domestic demand, increased demand of commercial spaces and industrial consumption.

As of December 31, 2015, there were 12 electric power companies in the Interconnected National System (*Sistema Interconectado Nacional - SIN*), seven of which were state-owned and five of which were privately owned. State-owned companies accounted for 82% of electricity production as of December 31, 2015 and private companies accounted for the remaining 18%. As of December 31, 2015, the generation of electric power reached 1,831 MW, nationwide.

As of December 31, 2015, the 4,088.8 km of transmission lines in the SIN are served by four companies, two of which were state-owned and two of which were privately owned. State-owned companies accounted for 83% of transport energy and private companies accounted for the remaining 17%.

As of December 31, 2015, the maximum electric power demand reached 1,370 MW. There are 10 electricity distribution companies in the SIN, five of which were state-owned and five of which were privately owned. State-owned companies accounted for 63% of the distribution of energy and private companies accounted for the remaining 37%.

Currently, due to our geographical location and taking into account the potential of our geological resources, we are positioning Bolivia as the energy power house of the region with the development of: (i) large hydroelectric generation projects such as El Bala (3,676 MW), Rositas (600 MW), Miguillas (200 MW), Misicuni (120 MW) and San Jose (124 MW); (ii) thermoelectric projects such as Entre Rios (105 MW), South (160 MW), El Alto (Alt 01 to 17.5 MW; Alt 02 to 32.2 MW) and Warnes (200 MW); and (iii) alternative energy projects such as Laguna Colorada geothermal power plant (100 MW), La Ventolera wind farms (20 MW) and Qollpana Phase 1 and 2 (24W) and Solar Oruro (100 MW) solar energy plant.

We have earmarked funds for the construction and development of electricity generation projects to generate additional electricity that can be exported to neighboring countries, providing new financial resources with the aim of positioning Bolivia as the region’s energy center. By 2020, we plan to deploy approximately six combined cycles (combined use of two turbines: gas and steam) in existing thermoelectric plants to add 1,096 MW in generating capacity, build and operate five new hydroelectric plants (Miguillas, Ivirizú, San Jose, Banda Azul and Misicuni) and develop thirteen alternative energy projects using wind, biomass, geothermal and solar energy generation technologies.

Since 2006, we have completed several electricity generation projects, including eight thermoelectric plants (Carrasco, Entre Rios, Valle Hermoso, Moxos, two for Central Kenko, Bulo Bulu, South Warnes), Phase I of the Misicuni hydroelectric project and the implementation of alternative energy projects such as the Qollpana phase I and phase I wind projects and a solar plant in Cobija.

In November 2016, the levels of the dams that supply water to the La Paz area fell significantly as a result of droughts experienced in the region. As a consequence, some neighborhoods of La Paz suffered water shortages. Following the recent increase in rain and governmental investments to optimize the water supply, the water levels of the dams have significantly improved and the water supply to the La Paz region has been restored to near normal levels.

Nationalization Process

The nationalization process in Bolivia took place between 2006 and 2013 as part of the process of recovery of strategic sector companies by the Government. 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 and also terminated certain contracts and revoked certain concessions. The nationalizations mainly focused on formerly state-owned companies that had been privatized during the 1990s. The goals of the nationalization process are regaining national sovereignty over “strategic resources,” enhancing state-owned 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 recent nationalization process, we provided compensation to investors with valuations based on the amount of the investment and revenues declared by the companies, subject to negotiation with the investors in such nationalized businesses. In addition, principally previously government-owned companies or companies that have government concessions and failed 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 was 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 against us.

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
Complejo Metalúrgico Vinto (Planta de Estaño y Planta de Antimonio)	2007–2010	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	None
Transredes S.A.	2008	Hydrocarbons	241.1	None
Andina S.A.	2008	Hydrocarbons	6.2	None
Chaco S.A.	2006 ⁽²⁾ 2009	Hydrocarbons	357.0	Settled
Air BP Bolivia S.A.	2009	Hydrocarbons	None	Suspended
Corani S.A.	2010	Power	18.7 ⁽³⁾	Settled ⁽⁴⁾

Entity	Year	Sector	Compensation Paid in U.S.\$ millions	Legal Proceedings
Fábrica Nacional de Cemento S.A.(FANCESA).....	2010	Manufacturing	Pending	None
Guaracachi S.A.....	2010	Power	31.5	Finished
Valle Hermoso S.A.....	2009 ⁽⁵⁾ 2010	Power	10.2 ⁽⁶⁾	None
Colquiri zinc and tin mine	2012	Minerals	Pending ⁽⁷⁾	None
ELFEC S.A.....	2012	Power	Pending	None
Transportadora de Electricidad S.A. (TDE)	2012	Power	36.5	Settled
Electricidad de La Paz S.A. (and others)	2012	Power	34.2 ⁽⁸⁾	Settled
Mallku Khota S.A.....	2012	Minerals	Pending	In process
Servicios de Aeropuertos de Bolivia S.A. (SABSA).....	2012	Transportation	Pending	In process

Source: Ministry of Mining and Metallurgy, Ministry of Hydrocarbons and Energy, Ministry of Environment and Water, Ministry of Works, Services and Housing and the Attorney General Office of Bolivia.

- (1) U.S\$5.5 million was paid to Aguas Del Illimani S.A. in treasury bonds.
- (2) Supreme Decree No. 28701, Héroes del Chaco, dated May 1, 2006, which nationalized oil companies, including CHACO S.A. Following the nationalization of AMOCO BOLIVIA OIL & GAS AB's shares pursuant to Supreme Decree No. 29888 dated January 23, 2009, Pan American Energy LLC (PAE), holding company of AMOCO BOLIVIA OIL & GAS AB brought a claim against Bolivia in the International Centre for Settlement of Investment Disputes.
- (3) U.S.\$18.4 million 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.
- (4) 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.\$18.4 million.
- (5) Supreme Decree No. 289 dated September 9, 2009 was the first step for nationalizing CORANI. Supreme Decree No. 493 dated May 1, 2010 nationalized the shares of IEB.
- (6) U.S\$10.2 million was paid to Inversiones Econergy Bolivia S.A., Bolivian Generating Group L.L.C. (BGG) in Valle Hermoso S.A.
- (7) The Supreme Decree required the payment of compensation due to the nationalization of the machinery, equipment and inputs from Compañía Minera Colquiri S.A.
- (8) We nationalized the shares held by Iberdrola or Iberbolivia de Inversiones S.A. in Electricidad de la Paz S.A., Empresa Luz y Fuerza Oruro S.A., Compañía Administradora de Empresas Bolivia S.A. and Empresa de Servicios Edeser S.A. pursuant to Supreme Decree No. 1448 dated December 29, 2012. We paid U.S.\$34.2 million to Iberdrola S.A. and Iberdrola Energía S.A.U., and U.S.\$19.5 million to Paz Holdings Ltd pursuant to Supreme Decree No. 2592 and No. 2594, dated November 11, 2015.

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 transition period (180 days), a temporary regime applied directly to the mega-gas fields of San Alberto and Sábalo. Thereafter, 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 controls more than 95% 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, through 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. We paid U.S.\$357.0 million to Pan American Energy LLC under the Settlement Agreement (*Contrato Transaccional de Solución Definitiva de Controversia, Terminación de Arbitraje Internacional de Inversiones, Reconocimiento de Derechos y Liberación General y Recíproca de Obligaciones*) dated December 18, 2014.

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

Pursuant to Supreme Decree No. 28901 dated October 31, 2006, converted to Law No. 3719 on July 31, 2007, COMIBOL took control of the Posokoni hill, and of the management over the nationalized deposits of Huanuni Mining Center (*Centro Minero Huanuni*), with the aim of developing the activities of prospecting, exploration, exploitation, processing and/or concentration, smelting, refining and marketing of mineral products.

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," "Takhuaní," "Takhaua," "Daniel," "Antacuna," "Norma" and "Silluta," which had been granted to Mallku Khota S.A.

Several state-owned enterprises including Empresa Minera Huanuni, Empresa Metalúrgica Vinto and Compañía Minera Colquiri S.A. have developed certain projects related to the industrialization of the mining sector, which are currently in progress. By 2015, the total investments made in such projects amounted to U.S.\$190.3 million. In addition, the construction of the following plants are under consideration: COMIBOL-Corporación Minera de

Bolivia (Alambrón Plant) and Empresa Siderúrgica del Mutún (Integrated Steed Plant for the production of laminates)

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. In May 2010, 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.

Pursuant to the arbitration award dated January 31, 2014, and the agreement for the execution of the arbitration award dated May 29, 2015, we paid Rurelec Plc U.S.\$31.5 million as compensation for the expropriation.

In May 2012, we nationalized Transportadora de Electricidad S.A. (“TDE”), a subsidiary of the Spanish company Red Eléctrica Internacional de España S.A.U. (“REI”). On February 26, 2014, REI notified us that it had initiated an arbitration proceeding against us. We settled the dispute with REI for U.S.\$36.5 million pursuant to the settlement agreement (Contrato Transaccional de Solución Definitiva de Controversia, Finalización de Arbitraje Internacional de Inversiones, Reconocimiento de Derechos, y Liberación General y Recíproca de Obligaciones) dated November 13, 2014.

In December 2012, we nationalized the shares held by Iberdrola, S.A. through IberBolivia de Inversiones S.A. (“IberBolivia”), in Electricidad de La Paz S.A., Empresa Luz y Fuerza de Oruro S.A., Compañía Administradora de Empresas Bolivia S.A. and Empresa de Servicios Edeser S.A. We paid Iberdrola, S.A. / IberBolivia de Inversiones S.A. U.S.\$34.2 million and Empresa Paz Holdings U.S.\$19.5 million, as compensation for the expropriation, pursuant to the settlement agreement (Contrato Transaccional de Solución Definitiva de Controversia, Conclusión de Arbitraje Internacional de Inversiones, Reconocimiento de Derechos y Liberación General y Reciproca de Obligaciones) dated November 16, 2015.

Other Sectors

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.

In February 2013, we nationalized the shares issued by Servicios de Aeropuertos de Bolivia, S.A. (“SABSA”) and held by TBI Overseas Bolivia, a company belonging to Airport Concessions & Development Limited (“ACDL”), which is ultimately controlled by Abertis Infraestructura S.A., a Spanish company, and the Spanish conglomerate AENA. On May 10, 2013, Abertis Infraestructura S.A. filed a reinstated claim against us due to the nationalization by us of this entity, seeking damages in excess of U.S.\$85.6 million.

Employment and Labor

General

The unemployment rate increased to 4.4% in 2015 compared to 3.5% in 2014. This increase was primarily the result of lower production in the mining sector due to lower mineral prices, as well as a reduction in commerce. The unemployment rate for the third quarter of 2016 was 4.1%.

The national monthly minimum wage more than doubled between 2010 and 2015, from Bs.679.5 in 2010 to Bs.1,656 in 2015. In 2015, we increased the monthly minimum wage by 15% to Bs.1,656, which primarily benefited Government and factory workers. In May 1, 2015, we increased the national monthly minimum wage to

Bs.1,656. We also increased salaries to all employees by 8.5%. The purpose of these significant increases has been primarily to preserve the real purchasing power of workers.

On November 20, 2013, through Supreme Decree No. 1802, the Government approved a second bonus (*Segundo Aguinaldo “Esfuerzo por Bolivia”*) for public and private sector workers, which will be granted each year for which the annual GDP growth rate exceeds 4.5%.

Approximately 17.5% of Bolivian children are part of our working population. Most of the children in the labor force live in rural areas where 34 out every 100 children work, as compared to cities where only 7 out of 100 children work. This difference is due to ancestral and family customs related to agricultural work. Bolivian labor laws set the minimum working age at 14, with the exception of self-employment under the supervision of the child’s parents or guardian, where the minimum age is 12. Children between 15 and 17 years of age comprise up to 47% of the child labor force in Bolivia. The Bolivian Child and Adolescent Code prohibits children from the hazardous occupations or activities including mining, handling of hazardous substances, operation of heavy machinery, and working in the adult entertainment industry, among others.

The following table shows certain labor force and employment data for the four years ended December 31, 2015:

Labor Force and Employment

	2011	2012	2013	2014	2015
	(in thousands of persons, except percentages)				
Total Population	10,190.8	10,351.1	10,507.8	10,665.8	10,825.0
Labor Force	5,285.8	5,023.5	5,374.3	5,550.6	5,271.3
Employed Labor Force	5,145.7	4,907.4	5,220.9	5,420.7	5,086.1
Unemployed Labor Force	140.1	116.1	153.4	129.9	185.2
Unemployment Rate (%)	3.8	3.2	4.0	3.5	4.4
Labor Force Participation Rate (%)	65.9	61.1	63.4	65.8	61.0
Government Employment / Labor Force (%)	5.3	5.7	5.5	5.5	5.9

Source: National Institute of Statistics.

(p) 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 “The Bolivian Economy—Nationalization Process.”

The following table shows certain Government employment data for the five years ended December 31, 2015:

Government Employment

	2011		2012		2013		2014		2015	
	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.....	1,399	8,884.2	1,494	9,387.4	1,554	10,573.6	1,621	12,132.3	1,514	13,171.5
Executive										
Branch.....	68,158	299,553.1	68,287	332,388.7	68,843	367,957.1	73,044	428,012.9	74,860	469,693.7
Judiciary.....	3,897	20,634.0	4,499	25,282.0	4,994	31,755.2	6,047	37,977.7	6,538	44,317.8
Electoral										
Body.....	1,094	4,071.3	1,197	4,700.3	902	5,829.5	975	6,804.3	951	6,914.8
Control										
Institutions										
and State										
Defense	1,692	11,781.3	1,878	12,968.2	1,929	14,109.0	2,294	17,381.0	2,213	19,378.2
Decentralized										
Public										
Institutions										
(2)(3).....	175,821	541,490.0	181,243	607,746.3	186,216	702,845.7	188,916	814,067.0	190,927	916,875.4
National										
Companies	3,957	27,464.3	4,766	34,587.2	8,343	47,438.8	7,577	54,195.5	10,055	73,492.0
Autonomous										
Departmental										
Governments										
(3).....	23,102	115,733.3	23,543	130,699.7	23,797	147,581.5	24,711	171,647.9	25,241	192,223.2
Non-Bank										
Financial										
Institutions	158	1,115.2	165	1,292.8	205	1,459.6	161	1,432.0	169	1,581.2

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, teachers are part of the decentralized public institutions.

THE EXTERNAL ECONOMY

Overview

In 2015, both the current account and the capital and financial account balance recorded a deficit. The deficit in the current account comes after 10 years of surpluses. Net international reserves held by the Central Bank decreased from U.S.\$14,430.1 million and U.S.\$15,122.8 million in 2013 and 2014, respectively, to U.S.\$13,055.9 million in 2015, representing 39.3% of Bolivian GDP. The current account balance decreased from a surplus of U.S.\$749.1 million in 2013 to a surplus of U.S.\$19.5 million in 2014, but decreased to a deficit of U.S.\$1,923.3 million in 2015, while the capital and financial account rose from a deficit of U.S.\$176.9 million in 2013 to a deficit of U.S.\$108.9 million in 2014, but declined to a deficit of U.S.\$734.4 million in 2015. We believe the current account deficit to be fiscally sound as it is driven primarily by the use of our cash resources to fund our significant investments and because between 2006 and 2015, on average, we obtained the most favorable results in the region for the average current account as a percentage of GDP according to the World Economic Outlook published by the IMF.

Average Current Account/GDP (2006-2015)

Country	Average Current Account/GDP (2006 – 2015)
Bolivia.....	4.7%
Venezuela.....	3.5%
Paraguay.....	0.9%
Ecuador.....	0.4%
Argentina.....	0.3%
Chile.....	(0.3)%
Peru.....	(2.0)%
Brazil.....	(2.2)%
Uruguay.....	(3.2)%
Colombia.....	(3.3)%

Source: World Economic Outlook, October 2016.

Our overall balance of payments decreased from a surplus of U.S.\$1,121.6 million in 2013 to a surplus of U.S.\$970.9 million in 2014, and decreased to a deficit of U.S.\$1,643.1 million in 2015. The trade balance in 2016 was U.S.\$(1,353) million, an increase of 2.2% as compared to U.S.\$(1,383.8) million in 2015. The decrease in the overall balance of payments in 2014 is primarily due to a U.S.\$510.9 million absolute value change in the errors and omissions account, and the decrease in 2015 and 2016 was primarily due to a deficit in the trade balance and an increase in assets held abroad by the private sector.

Balance of Payments

In 2015, balance of payments recorded a deficit of U.S.\$1,643.2 million, a decrease from a surplus of U.S.\$970.9 million in 2014, which in turn was a decrease from the balance of U.S.\$1,121.6 million recorded in 2013. The U.S.\$2,614.0 million increase in the overall balance of payments deficit in 2015 was principally accounted for by an increase in the deficit of the capital and current accounts. 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.

The current account balance recorded a deficit of U.S.\$1,923.3 million in 2015, a decrease from surpluses of U.S.\$19.6 million in 2014 and U.S.\$749.1 million in 2013, which was primarily the result of a negative trade balance. The negative balance of the current account in 2015 was primarily the result of our trade deficit due to a decrease in hydrocarbons exports and resilient imports due to a strong investment profile. The main components of the current account balance are (1) the goods balance, which recorded a deficit of U.S.\$1,383.8 million in 2015, a decrease from a surplus of U.S.\$1,674.2 million in 2014 after a decrease from a surplus of U.S.\$2,013.9 million in

2013, and (2) current transfers, which recorded a surplus of U.S.\$1,168.7 million in 2015, an increase from a surplus of U.S.\$1,084.2 million in 2014 and U.S.\$1,269.8 million in 2013, and whose principal component in 2015 was remittances from workers, which reached U.S.\$1,178.4 million in 2015, an increase from U.S.\$1,163.6 million in 2014 and a decrease from U.S.\$1,181.8 million in 2013. See “The External Economy—Remittances.”

The capital and financial account registered a negative balance of U.S.\$734.4 million in 2015, a decrease from a deficit of U.S.\$108.9 million in 2014 and of U.S.\$176.9 million in 2013, which was primarily the result of an increase in the private sector’s investment portfolio. In 2015, net foreign direct investment reached U.S.\$503.4 million, a decrease from surpluses of U.S.\$647.8 million in 2014 and U.S.\$1,749.6 million in 2013.

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

	Balance of Payments(1)						
	As of and For Year Ended December 31,					As of and for Three Months Ended March 30,	
	2011	2012	2013	2014 ^(p)	2015 ^(p)	2015 ^(p)	2016 ^(p)
	(in millions of U.S.\$)						
Current Account							
Goods Balance							
Exports f.o.b.	8,358.2	11,254.0	11,697.7	12,305.8	8,302.4	2,183.2	1,502.9
Imports c.i.f.	(7,927.3)	(8,578.3)	(9,683.8)	(10,631.6)	(9,686.2)	(2,375.9)	(1,974.4)
Total Goods Balance.....	430.9	2,675.7	2,013.9	1,674.2	(1,383.8)	(192.7)	(471.5)
Service Balance							
Exports.....	879.7	1,005.9	1,104.4	1,282.2	1,154.0	282.6	251.2
Imports.....	(1,248.5)	(1,348.0)	(1,731.2)	(2,314.3)	(1,689.2)	(466.4)	(418.0)
Total Service Balance.....	(368.8)	(342.1)	(626.8)	(1,032.1)	(535.1)	(183.7)	(166.8)
Income (Net)							
Interest Received	102.0	125.2	151.2	148.9	140.4	31.4	48.0
Interest Owed(2)	(142.4)	(118.2)	(153.4)	(175.4)	(196.1)	(43.8)	(52.9)
Other Income Investment.....	(1,147.6)	(1,649.0)	(1,916.5)	(1,689.7)	(1,127.7)	(361.7)	(198.2)
Employee Compensation (Net).....	27.3	12.6	10.9	9.6	10.3	2.2	4.0
Total Income (Net)	(1,160.8)	(1,629.3)	(1,907.8)	(1,706.7)	(1,173.0)	(371.9)	(199.0)
Current Transfers							
Official Transfers excluding							
HIPC Relief(2).....	184.2	218.6	172.3	24.9	115.9	30.4	47.3
Donations HIPC.....	8.2	8.7	6.5	3.7	2.5	0.3	0.3
Private Transfers.....	928.8	1,038.5	1,091.0	1,055.7	1,050.3	244.4	248.4
Total Current Transfers.....	1,175.3	1,265.8	1,269.8	1,084.2	1,168.7	275.1	296.0
Current Account Balance	76.6	1,970.0	749.1	19.6	(1,923.3)	(473.3)	(541.4)
Capital and Financial Account							
Public Sector							
Capital Transfers.....	-	-	-	-	-	-	-
Medium- and Long-Term Loans,						28.6	58.75
Net	596.5	688.4	1,050.2	528.2	655.6		
Other Public Capital, Net(3)	(59.7)	(37.2)	(1,508.7)	573.1	182.1	94.5	1.7
Total Public Sector	536.8	651.2	(458.5)	1,101.3	837.7	123.1	60.4
Private Sector							
Capital Transfers.....	5.9	5.7	6.1	5.3	4.7	1.4	1.1
Direct Foreign Investment, Net(4)	858.9	1,060.0	1,749.6	647.8	503.4	272.2	122.3
Portfolio Investment, Net.....	186.4	(360.3)	(428.7)	(560.5)	(917.0)	(89.7)	(16.0)
Medium- and Long-Term Private							
Debt, Net(5).....	53.0	(132.7)	(26.3)	243.3	64.5	19.4	51.2
Short-Term Net Foreign Assets(6).....	40.5	78.9	(6.3)	(180.1)	15.7	203.4	(45.6)
Other Capital, Net.....	(705.0)	(760.9)	(1,012.8)	(1,366.1)	(1,243.4)	(363.3)	(500.4)
Total Private Sector Total						43.4	(387.4)
Private Sector	439.8	(109.2)	281.6	(1,210.3)	(1,572.1)		
Capital and Financial Account							
Balance	976.6	542.0	(176.9)	(108.9)	(734.4)	166.5	(327.0)

	Balance of Payments(1)						
Errors and Omissions.....	1,106.8	(800.4)	549.3	1,060.2	1,014.5	381.9	(7.86)
Overall Balance of Payments	2,160.0	1,711.6	1,121.6	970.9	(1,643.2)	75.1	(876.2)
(Increase)/Decrease in Reserves(7).....	(2,160.0)	(1,711.6)	(1,121.6)	(970.9)	1,643.2	(75.1)	876.2

Source: Central Bank

(p) Preliminary.

- (1) Compiled according to the recommendations of the Balance of Payments Manual of the International Monetary Fund (5th edition, 1993).
- (2) Includes HIPC and MDRI relief in the form of stock reduction.
- (3) Includes contributions and liabilities with international organizations and short-term loans.
- (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 2015, the current account balance recorded a deficit of U.S.\$1,923.3 million, which was primarily a result of an decrease of 182.6% of the goods balance and an increase of 7.8% of current transfers as compared to 2014. Trade balance and total net income were the main sources of the current account balance deficit.

The goods balance registered a deficit of U.S.\$1,383.8 million in 2015, a decrease from a surplus of U.S.\$1,674.2 million in 2014 after a decrease from a surplus of U.S.\$2,013.9 million in 2013. Goods exports reached U.S.\$8,302.4 million in 2015, a decrease from U.S.\$12,305.8 million in 2014 and U.S.\$11,697.7 million in 2013, which was primarily the result of a decrease in the export of hydrocarbons and minerals, due to lower commodity prices.

The service balance registered a deficit of U.S.\$535.1 million in 2015, which was a decrease from deficits of U.S.\$1,032.1 million in 2014 and U.S.\$626.8 million in 2013, which was primarily the result of increased service imports, primarily in transportation, insurance and other business services.

Net income registered a deficit of U.S.\$1,173.0 million in 2015, which was a decrease from deficits of U.S.\$1,706.7 million in 2014 and of U.S.\$1,907.8 million in 2013, which was primarily the result of decreased deficits in the other income investment account due to a decrease in dividends and paid interests.

Current transfers registered a surplus of U.S.\$1,168.7 million in 2015, an increase from a surplus of U.S.\$1,084.2 million in 2014 and U.S.\$1,269.8 million in 2013. The increase in the current transfers surplus between 2014 and 2015 was primarily the result of an increase in official transfers excluding HIPC (Heavily Indebted Poor Countries), which totaled U.S.\$115.9 million in 2015, an increase from U.S.\$24.9 million in 2014 and a decrease from U.S.\$172.36 million in 2013.

Capital and Financial Account

The capital and financial account registered a deficit of U.S.\$734.4 in 2015, a decrease from deficits of U.S.\$108.9 million in 2014 and U.S.\$176.9 million in 2013. The increase in the capital and financial account deficit between 2014 and 2015 was primarily a result of a decrease in the surplus registered in the private sector as a result of an increase in portfolio investment and a decrease in private borrowing.

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.\$503.4 million in 2015, a decrease from U.S.\$647.8 million in 2014 and U.S.\$1,749.6 million in 2013. See “The External Economy—Foreign Direct Investment.”

Remittances

Remittances from Bolivians living abroad, which totaled U.S.\$1,178.4 million in 2015, an increase from U.S.\$1,163.6 million in 2014 and a decrease from U.S.\$1,181.8 million in 2013, 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 2014 and 2015 was primarily the result of an increase of total remittances.

By origin, in 2015, 41.7% of the remittances came from Spain, 16.5% came from the United States of America, 10% came from Argentina, 8.7% came from Brazil and 5.8% came from Chile.

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

	Remittances (in U.S.\$ millions)
Year Ended December 31, 2010	939.3
Year Ended December 31, 2011	1,012.3
Year Ended December 31, 2012	1,094.3
Year Ended December 31, 2013	1,181.8
Year Ended December 31, 2014	1,163.6
Year Ended December 31, 2015	1,178.4

Source: Central Bank

Foreign Trade

Imports and Exports

Exports in 2016 totaled U.S.\$7,065 million, a decrease of 14.9% as compared to U.S.\$8,302.4 million during 2015. Exports in 2015 decreased 32.53% as compared to U.S.\$12,305.8 million in 2014. These decreases were due to lower international prices for our main exports, hydrocarbons and minerals. Imports totaled U.S.\$8,418 million in 2016, a decrease of 13.1% as compared to U.S.\$9,686.2 million in 2015. Imports in 2015 decreased 8.9% as compared to U.S.\$10,631.6 million in 2014. The decrease in 2015 was due to the substitution of imported hydrocarbons with hydrocarbons produced domestically, as well as a reduction in demand for imported construction materials.

Hydrocarbon exports, which accounted for 47.85% of total exports in 2015, reached U.S.\$3,972.7 million in 2015, a decrease of 40.0% as compared to U.S.\$6,623.6 million in 2014. This decrease was primarily the result of lower prices for natural gas and petroleum exports. Natural gas prices decreased in 2015, to an average of U.S.\$6.2 per million British thermal units (“BTUs”) for natural gas exported to Argentina and U.S.\$5.9 per million BTUs for natural gas exported to Brazil, representing decreases of 27.5% and 25.0%, respectively, as compared to average prices in 2014. The volume of natural gas exported to Argentina was 5,745.0 million cubic meters in 2015, an increase of 0.21% as compared to 5,733.0 million cubic meters in 2014. The volume of natural gas exports to Brazil, which is our largest market for natural gas sales, was 11,587.0 million cubic meters in 2015, a decrease of 2.43% as compared to 11,875.0 million cubic meters in 2014, which was primarily the result of lower demand from Brazil, as a result of the economic recession in Brazil.

A reduction in commodity prices for minerals undermined production in this sector in 2015, and mineral exports, which accounted for 34.34% of total exports in 2015, reached U.S.\$2,851.8 million in 2015, a decrease of 27.5% as compared to U.S.\$3,933.5 million in 2014. The main mineral export in 2015 was zinc, which accounted for 30.36% of total mineral exports in 2015 and reached U.S.\$865.7 million, a decrease of 12.3% as compared to U.S.\$987.3 million in 2014. The main destinations for zinc exports in 2015 were Japan, with 31.96% of total zinc exports, South Korea, with 17.32%, Belgium, with 16.31%, and China, with 13.80%. These four countries represented 79.40% of total zinc exports. Gold, which was our second most important mineral export in 2015,

accounted for 26.22% of total mineral exports in 2015 and reached U.S.\$747.7 million in 2015, a decrease of 46% as compared to U.S.\$1,384.3 million in 2014. The main destinations for gold exports in 2015 were China, with 74.08% of total gold exports, Belgium, with 14.21%, Peru, with 9.46% and Mexico, with 2.13%. These four countries accounted for 99.88% of total gold exports.

Imports decreased in 2015 due to the substitution of imported hydrocarbons with hydrocarbons produced domestically as a result of the reduction in exports of hydrocarbons due to lower international hydrocarbons prices, as well as a reduction in demand for imported construction materials. Imports totaled U.S.\$9,686.2 million in 2015, a decrease of 8.9% as compared to U.S.\$10,631.6 million in 2014. Of the total imports in 2015, 77.2% were accounted for by capital goods, intermediate goods and raw materials for the expansion of economic production capacity and 22.8% were accounted for by the purchase of consumer goods. Imports of raw materials and intermediate products reached U.S.\$4,330.9 million in 2015, a decrease of 10.7% as compared to U.S.\$4,848.4 million in 2014. Imports of capital goods reached U.S.\$3,162.8 million in 2015, a decrease of 10.7% as compared to U.S.\$3,540.1 million in 2014. Imports of consumer goods reached U.S.\$2,111.4 million in 2015, a decrease of 1.1% as compared to U.S.\$2,235.6 million in 2014. Overall, non-adjusted imports in 2015 totaled U.S.\$9,766.4 million, a decrease of 8.5% as compared to U.S.\$10,674.1 million in 2014.

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
	<i>(in millions of U.S.\$)</i>		
Year Ended December 31, 2010	7,052.1	5,603.9	1,448.3
Year Ended December 31, 2011	9,215.3	7,935.7	1,279.5
Year Ended December 31, 2012	11,991.1	8,590.1	3,401.0
Year Ended December 31, 2013	12,371.7	9,699.0	2,672.6
Year Ended December 31, 2014(p)	13,034.2	10,674.1	2,360.1
Year Ended December 31, 2015(p)	8,911.9	9,766.4	(854.5)
As of June 30, 2015(p)	4,702.4	4,684.9	17.5
As of June 30, 2016(p)	3,418.6	4,036.7	(618.1)

Source: Central Bank

(p) Preliminary.

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

	Exports						
	As of and For Year Ended December 31,					As of and For Six Months Ended June 30,	
	2011	2012	2013	2014(p)	2015(p)	2015(p)	2016(p)
	<i>(in millions of U.S.\$)</i>						
Hydrocarbons							
Natural Gas	3,884.9	5,478.5	6,113.4	6,011.1	3,771.5	2,127.8	1,056.7
Petroleum.....	227.6	392.4	511.5	584.1	200.8	86.5	46.1
Other	2.0	0.7	1.3	28.4	0.5	0.5	13.2
Total Hydrocarbons.....	4,114.5	5,871.7	6,626.2	6,623.6	3,972.7	2,214.7	1,116.0
Minerals							
Tin	453.8	348.2	370.1	365.5	267.7	142.1	141.5
Zinc.....	946.5	739.4	762.4	987.3	865.7	451.3	394.0
Silver	1,379.8	1,198.2	1,007.7	833.3	666.7	363.4	345.9
Gold	272.6	1,095.2	561.4	1,384.3	747.7	391.0	392.3
Other	376.4	363.4	375.3	363.3	303.9	164.0	128.4
Total Minerals.....	3,429.0	3,744.4	3,076.9	3,933.6	2,851.8	1,511.7	1,402.1
Non-Traditional Exports							
Soy(1)	628.3	976.9	1,211.1	1,082.6	794.5	359.5	392.9

Wood	59.9	53.0	49.3	51.5	44.8	24.6	15.9
Chestnut.....	135.4	139.2	122.8	171.3	178.1	72.1	78.8
Jewelry.....	23.1	22.2	73.1	41.2	80.4	33.6	43.0
Other	566.8	847.7	925.6	833.6	644.4	326.4	245.3
Total Non-Traditional Exports	1,413.5	2,038.9	2,381.9	2,180.2	1,742.2	816.3	775.8
Other Goods(2)	258.2	336.2	286.7	296.8	345.1	159.8	124.7
Total Exports (c.i.f.).....	9,215.3	11,991.1	12,371.7	13,034.2	8,911.9	4,702.4	3,418.6
Adjustments(3)	857.1	737.2	674.0	728.4	609.5	323.2	292.8
Total Exports (f.o.b.)	8,358.2	11,254.0	11,697.7	12,305.8	8,302.4	4,379.2	3,125.8

Source: Central Bank

(p) Preliminary.

(1) Includes soybeans, soy cakes, soybean flour and soybean oil. Excludes exports of transformation goods.

(2) Includes re-exports, transformation goods, repair of goods and fuels.

(3) Required costs and aircraft rental.

The following table shows imports for the periods indicated:

	Imports						
	As of and For Year Ended December 31,					As of and For Six Months Ended June 30,	
	2011	2012	2013	2014 ^(p)	2015 ^(p)	2015 ^(p)	2016 ^(p)
	(in millions of U.S.\$)						
Consumer Goods							
Non-Durable.....	909.5	1,035.9	1,125.9	1,165.9	1,163.9	544.4	547.4
Durable.....	908.0	846.4	989.2	1,069.7	1,047.6	475.7	448.8
Total.....	1,817.5	1,882.3	2,115.1	2,235.6	2,211.5	1,020.2	996.2
Raw Materials and Intermediate Products							
Fuels and Lubricants	1,063.2	1,218.4	1,243.8	1,215.6	1,085.5	447.9	275.8
Agriculture	298.9	309.5	378.0	377.4	361.1	162.2	151.1
Industry	1,835.2	1,963.7	2,085.7	2,285.1	2,073.4	1,049.5	916.0
Construction Materials	454.4	459.2	497.7	616.6	504.3	261.9	254.6
Parts and Accessories of Transport Equipment	192.2	252.9	293.8	353.6	306.6	155.0	140.6
Total Raw Materials and Intermediate Products	3,843.9	4,203.6	4,499.0	4,848.4	4,330.9	2,076.5	1,738.1
Capital Goods							
Agriculture	170.7	223.0	193.9	225.7	165.9	88.8	55.0
Industry	1,550.7	1,666.9	2,161.3	2,537.3	2,213.4	1,100.3	903.5
Transportation Equipment	524.6	541.7	671.6	777.0	783.5	374.6	325.3
Total Capital Goods.....	2,245.3	2,431.6	3,026.8	3,540.1	3,162.8	1,563.7	1,283.7
Miscellaneous(1).....	29.0	72.5	58.1	50.1	61.3	24.5	18.6
Total Imports (c.i.f.).....	7,935.7	8,590.1	9,699.0	10,674.1	9,766.4	4,684.9	4,036.7
Total Adjusted Imports (c.i.f.)(2).....	7,927.3	8,578.3	9,683.8	10,631.6	9,686.2	4,644.7	4,014.3

Source: Central Bank

(p) Preliminary.

(1) Includes personal effects.

(2) 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 27.5% and 16.8% of total exports in 2015, respectively. Countries in the Latin American Integration Association (“ALADI”) accounted for 57.8% of total exports in 2015 and Mercosur countries, which form part of the Latin American Integration Association, accounted for 45.4% of total exports in 2015. Exports to the United States of America accounted for 12.4% of total exports in 2015.

Our principal import trading partners are China, Brazil and Argentina, which accounted for 18.0%, 16.5% and 11.8% of total imports in 2015, respectively. Countries in the Latin American Integration Association accounted for 42.7% of total imports in 2015 and Mercosur countries accounted for 29.4% of total imports in 2015. Imports from the United States of America accounted for 10.5% of total imports in 2015, while imports from Japan accounted for 5.1% of total imports in 2015.

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

Exports (c.i.f.) by Destination

	As of and For Year Ended December 31,					As of and For Six Months Ended June 30,	
	2011	2012	2013	2014(p)	2015(p)	2015(p)	2016(p)
	(in millions of U.S.\$)						
Latin American Integration Association⁽¹⁾							
Mercosur							
Argentina	1,074.3	2,126.8	2,523.5	2,563.7	1,496.3	872.3	1,495.3
Brazil.....	3,034.1	3,678.2	4,043.2	3,849.5	2,450.8	1,349.8	2,450.5
Paraguay	26.9	27.0	39.8	62.1	32.1	15.0	31.0
Uruguay	7.3	5.9	8.3	7.7	12.9	5.6	12.9
Venezuela.....	287.3	327.4	160.3	131.8	53.3	45.6	53.3
Total Mercosur.....	4,429.8	6,165.2	6,775.2	6,615.0	4,045.5	2,288.4	4,043.1
Andean Community							
Colombia.....	261.1	422.1	651.3	649.9	589.5	246.0	589.3
Ecuador.....	90.3	222.2	151.2	105.6	118.0	57.3	109.3
Peru.....	469.9	647.5	660.9	559.1	319.3	142.6	316.7
Total Andean Community.....	821.4	1,291.8	1,463.4	1,314.6	1,006.8	446.0	1,015.3
Chile.....	157.5	237.9	163.9	112.8	90.7	45.8	90.7
Cuba.....	0.8	1.3	1.3	0.5	0.5	0.2	0.5
Panama.....	48.1	39.3	27.7	27.9	6.4	3.0	-
Total Latin American Integration Association.....	5,457.7	7,735.4	8,431.5	8,070.7	5,149.8	2,783.4	5,149.6
Central American Common Market.....	3.2	3.9	6.2	2.1	2.3	1.0	1.3
NAFTA							
United States of America	892.0	1,789.3	1,247.3	2,043.7	1,102.5	645.1	1,105.0
Canada	195.3	152.9	165.8	200.4	101.3	55.4	101.3
Mexico	54.3	37.1	25.8	43.9	25.4	15.1	25.4
Total NAFTA.....	1,141.6	1,979.3	1,438.8	2,288.0	1,229.1	715.5	1,231.7
Russia	13.2	13.1	6.5	4.8	4.1	2.1	4.0
European Union							
Germany	51.3	49.9	55.9	68.9	59.6	23.3	59.6
Belgium.....	377.7	334.6	245.9	231.3	282.7	153.8	282.7
Spain	93.8	70.4	106.7	96.7	89.8	42.4	89.8
France	18.7	16.8	47.3	43.0	33.3	11.2	32.1
Netherlands.....	54.7	34.8	191.3	111.7	110.7	46.4	67.1
United Kingdom.....	156.3	108.4	106.0	123.6	80.5	37.4	109.7
Italy	39.3	55.0	79.5	79.7	67.2	46.5	80.5
Sweden.....	1.0	0.9	1.2	1.6	4.0	0.7	4.0

	As of and For Year Ended December 31,					As of and For Six Months Ended June 30,	
	2011	2012	2013	2014(p)	2015(p)	2015(p)	2016(p)
	(in millions of U.S.\$)						
Other	22.8	12.4	27.8	35.9	24.2	12.1	24.1
Total European Union	815.6	683.2	861.6	792.3	751.9	373.6	749.6
European Free Trade Association							
Switzerland	306.1	272.7	165.8	96.8	38.7	24.6	38.7
Norway	1.5	1.1	1.8	1.1	0.8	0.5	0.8
Total European Free Trade Association	307.6	273.8	167.6	98.0	39.5	25.0	39.5
Asia							
Japan	540.0	441.8	417.7	439.7	407.3	236.1	154.7
China.....	336.9	317.7	324.7	496.2	466.3	226.5	185.8
South Korea	419.1	358.0	405.1	496.2	376.1	161.2	164.1
Malaysia.....	3.9	2.0	46.4	48.3	39.2	31.3	5.1
Hong Kong.....	3.2	3.0	3.9	87.3	3.0	1.9	3.7
India.....	11.4	4.0	3.9	2.5	196.4	18.4	50.2
Thailand	2.1	2.7	1.4	1.4	1.6	0.6	0.8
Taiwan	1.5	1.5	3.4	2.5	0.7	0.4	0.9
Other	122.1	88.4	43.9	42.6	35.8	15.6	34.1
Total Asia.....	1,319.2	1,135.2	1,237.8	1,616.7	1,516.9	692.0	599.5
Rest of the World.....	160.2	171.1	227.9	163.8	211.04	110.8	(4,355.3)
Total Exports (c.i.f.)	9,215.3	11,991.1	12,371.6	13,034.2	8,911.9	4,702.4	3,418.6

Source: Central Bank

(p) Preliminary.

(1) Excludes Mexico.

Imports (c.i.f.) by Origin

	As of and For Year Ended December 31,					As of and For Six Months Ended June 30,	
	2011	2012	2013	2014(p)	2015(p)	2015(p)	2016(p)
	(in millions of U.S.\$)						
Latin American Integration Association(1)							
Mercosur							
Argentina	966.2	1,066.6	1,022.7	1,153.0	1,149.0	471.4	383.6
Brazil.....	1,395.2	1,524.5	1,605.2	1,666.0	1,609.4	785.0	735.8
Paraguay	57.7	85.2	78.8	94.3	77.3	42.5	28.3
Uruguay	26.8	36.9	36.2	51.2	38.4	20.9	23.0
Venezuela.....	526.2	444.4	15.6	5.9	3.3	0.7	0.7
Total Mercosur.....	2,972.0	3,157.5	2,758.6	2,970.3	2,877.4	1,320.6	1,171.4
Andean Community							
Colombia.....	195.0	162.3	183.9	182.5	191.9	87.1	90.6
Ecuador.....	27.3	33.6	37.5	45.8	47.5	24.8	20.4
Peru.....	472.2	558.8	601.6	650.7	605.5	290.3	265.5
Total Andean Community.....	694.5	754.7	822.9	879.0	844.8	402.2	376.5
Chile.....	308.4	383.6	574.4	436.1	445.8	207.6	185.4
Cuba.....	6.9	4.0	1.9	3.2	2.3	1.1	0.8
Panama.....	6.0	4.9	4.0	6.0	4.3	2.1	1.8
Total Latin American Integration Association.....	3,987.7	4,304.7	4,161.9	4,294.6	4,174.6	1,933.7	1,736.0

	As of and For Year Ended December 31,					As of and For Six Months Ended June 30,	
	2011	2012	2013	2014(p)	2015(p)	2015(p)	2016(p)
Central American Common Market	21.7	4.8	5.9	8.5	5.2	2.7	2.8
NAFTA							
United States of America	886.6	940.1	1,208.5	1,238.8	1,034.6	499.0	405.8
Canada	35.9	59.5	58.8	94.0	58.0	29.0	28.1
Mexico	188.8	236.4	282.1	301.6	278.0	136.8	106.4
Total NAFTA	1,111.3	1,236.0	1,549.4	1,634.3	1,370.6	664.8	540.2
Russia	8.7	13.6	12.6	36.7	16.8	6.2	7.8
European Union							
Germany	142.6	164.9	238.8	213.2	231.7	102.9	91.2
Belgium.....	31.5	34.1	41.5	50.6	38.8	22.3	13.8
Spain	101.9	100.9	193.0	253.6	177.5	88.5	65.3
France	47.1	61.2	96.3	188.5	139.9	67.2	65.9
Netherlands	19.0	59.7	147.8	85.9	69.9	48.8	10.9
United Kingdom.....	46.1	72.0	70.3	70.9	67.1	34.2	23.6
Italy	93.6	173.8	123.8	191.5	174.7	98.9	53.4
Sweden.....	169.3	93.7	215.7	196.0	122.0	57.6	42.7
Other	67.8	59.0	116.5	132.9	162.3	71.2	95.6
Total European Union	718.9	819.4	1,243.8	1,383.2	1,183.8	591.5	462.4
European Free Trade Association							
Switzerland	20.8	48.8	139.2	59.5	41.9	59.5	16.4
Norway	0.9	3.2	2.1	1.9	3.1	1.9	3.5
Total European Free Trade Association	21.8	52.0	141.2	61.3	45.1	61.3	19.9
Asia							
Japan	598.9	387.6	491.8	520.0	506.7	239.5	199.3
China.....	1,112.6	1,293.7	1,459.1	1,884.3	1,747.4	836.1	793.3
South Korea	67.8	74.5	105.3	175.3	186.8	115.7	47.8
Malaysia.....	11.4	14.2	20.5	22.0	18.2	8.3	9.4
Hong Kong.....	8.1	12.2	10.1	8.0	7.2	3.3	9.3
India	76.3	86.2	111.0	175.6	127.0	64.4	53.2
Thailand	58.6	69.7	86.0	116.1	130.6	68.8	51.0
Taiwan	36.0	45.0	57.4	49.1	41.7	21.6	18.2
Other	43.5	117.4	153.2	175.0	110.8	50.2	45.2
Total Asia	2,013.2	2,100.4	2,494.3	3,125.4	2,876.5	1,407.8	1,226.6
Rest of the World	48.3	59.0	90.0	130.2	93.9	19.0	42.9
Total Exports (c.i.f.)	7,935.7	8,590.1	9,699.0	10,674.1	9,766.4	4,684.9	4,036.7

Source: Central Bank

(p) Preliminary.

(1) Excludes Mexico.

Balance of Trade by Country

	For Year Ended December 31,				
	2011	2012	2013	2014 ^(p)	2015 ^(p)
	(in millions of U.S.\$)				
Latin American Integration Association(1)					
Mercosur					
Argentina	108.1	1,060.1	1,500.7	1,411.2	360.4
Brazil.....	1,638.9	2,153.7	2,438.0	2,186.0	852.5
Paraguay	(30.8)	(58.1)	(39.0)	(32.1)	(41.8)
Uruguay	(19.5)	(31.0)	(27.9)	(43.3)	(25.3)
Venezuela.....	(238.8)	(117.0)	144.7	125.9	50.0
Total Mercosur.....	1,457.8	3,007.7	4,016.6	3,647.6	1,195.7
Andean Community.....					
Colombia.....	66.2	259.8	467.4	467.5	397.7
Ecuador.....	63.0	188.6	113.7	59.9	61.9
Peru.....	(2.3)	88.7	59.3	(90.3)	(284.9)
Total Andean Community.....	126.9	537.1	640.4	437.1	174.7
Chile.....	(150.9)	(145.7)	(410.6)	(323.3)	(352.5)
Cuba.....	(6.1)	(2.8)	(0.6)	(2.6)	(1.7)
Total Latin American Integration Association.....	(156.9)	(148.5)	(411.2)	(326.0)	(354.2)
Central American Common Market.....	(18.5)	(0.9)	0.3	(6.3)	(2.9)
NAFTA.....					
United States of America.....	5.5	849.2	38.8	804.9	84.1
Canada	159.3	93.4	107.0	106.4	44.0
Mexico	(134.5)	(199.2)	(256.3)	(257.7)	(251.7)
Total NAFTA.....	30.4	743.4	(110.5)	653.6	(123.5)
Russia	4.6	(0.5)	(6.0)	(31.9)	(12.7)
European Union					
Germany	(91.3)	(115.0)	(182.9)	(142.1)	(171.4)
Belgium.....	346.2	300.5	204.4	183.2	244.0
Spain	(8.1)	(30.6)	(86.3)	(154.5)	(78.5)
France	(28.4)	(44.4)	(49.0)	(143.8)	(107.6)
Netherlands.....	35.7	(24.9)	43.5	26.0	40.0
United Kingdom.....	110.2	36.3	35.6	54.9	13.5
Italy	(54.4)	(118.8)	(44.4)	(109.7)	(107.4)
Sweden.....	(168.3)	(92.8)	(214.5)	(191.9)	(116.6)
Other	(45.0)	(46.6)	(88.6)	(96.4)	(137.7)
Total European Union	96.6	(136.2)	(382.2)	(574.4)	(421.6)
European Free Trade Association.....					
Switzerland	285.3	223.9	26.6	37.4	(3.2)
Norway	0.5	-2.1	(0.3)	(0.7)	(2.3)
Total European Free Trade Association	285.8	221.8	26.4	36.6	(5.5)
Asia					
Japan	(58.8)	54.2	(74.1)	(78.6)	(90.5)
China.....	(775.7)	(976.0)	(1,134.3)	(1,376.4)	(1,274.8)
South Korea	351.2	283.6	299.8	321.7	189.6
Malaysia.....	(7.6)	(12.2)	25.9	26.6	21.0
Hong Kong.....	(4.9)	(9.2)	(6.2)	79.4	(4.2)
India	(64.9)	(82.1)	(107.0)	(172.2)	70.1
Thailand	(56.5)	(67.1)	(84.6)	(114.2)	(127.7)
Taiwan	(34.4)	(43.5)	(54.1)	(45.9)	(40.8)
Other	(42.3)	(112.8)	(121.9)	(71.5)	(84.0)

	For Year Ended December 31,				
	2011	2012	2013	2014 ^(p)	2015 ^(p)
	(in millions of U.S.\$)				
Total Asia	(693.9)	(965.1)	(1,256.5)	(1,431.1)	(1,341.3)
Rest of the World.....	146.8	142.4	155.3	62.3	117.7
Total Trade Balance (c.i.f.)	1,279.5	3,401.0	2,672.6	2,467.5	(773.8)

Source: National Institute of Statistics

(p) Preliminary.

(1) Excludes Mexico.

Import Tariffs

In 2007, we adopted a new import tariffs regime with the objective of protecting the domestic market, improving the competitiveness of our economy and ensuring food security, without affecting tariff revenues or generating inflationary pressures. Nowadays, import tariffs 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%
Alcoholic beverages	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 us, we temporarily reduced the import tariff for diesel fuel to 0% beginning January 28, 2012 for a period of one year. Thereafter, we extended the temporary reduction for an additional year every year. The last extension is valid until December 31, 2016.

Seeds imported primarily for cultivation have an import tariff of 5%, 10% or 15%. In accordance with Supreme Decree No. 2860 of August 2, 2016, enacted for the purposes of increasing the area of agricultural production and addressing food shortages, we started applying a 0% tariff on seed imports for a term of five years. This measure also includes a 0% tariff for machinery, equipment, and other agricultural input necessary for the agricultural sector. Moreover, ALADI member countries, including Bolivia, have established a trade of seeds free of customs duties.

Under the People's Trade Agreement between Venezuela and Bolivia, the import tariff for goods originating from Venezuela is 0%.

Under Economic Complementation Agreement 22, Bolivia exempted certain Chilean products from a list of 350 items from paying import tariffs. Under Economic Complementation Agreement 47 and 66, imports from Cuba and Mexico, respectively, are exempt from customs duties.

Under the Economic Complementation Agreement 36, Bolivia and Mercosur exempt to free from customs duties all trade between Bolivia and Mercosur countries. Since 1993, trade with other member countries of the Andean Community is also free of customs duties.

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 live bovine animals, beef, corn, sugar cane and derivatives, soybeans, sorghum and rice. 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.

Live bovine animals, lard, wheat and rice are temporarily banned as exports in order to guarantee domestic supply.

Additionally, export permits are required for coffee, timber (mara) and non-timber products (palmetto and chestnuts), minerals and metals, certain forest species, sub products of certain animals, radioactive chemical elements, certain hydrocarbons, inorganic chemical products and other controlled substances, halides related to non-metallic elements, art, organic chemical products, live animals, meat and derivatives, fish and sea food, vehicles, certain drugs, and ozone-depleting products.

International Reserves

Between 2000 and 2005, the average balance of the net international reserves was U.S.\$1,138 million. Total net international reserves held by the Central Bank were U.S.\$10,081 million as of December 31, 2016, a decrease of 22.8% as compared to U.S.\$13,055.9 million as of December 31, 2015 due to decreased revenue from the hydrocarbons and mining sectors. Total net international reserves were U.S.\$12,511 million as of December 31, 2016, compared to U.S.\$15,672.1 million as of December 31, 2015. The total net international reserves as of December 31, 2015 represented a decrease of 9.33% as compared to U.S.\$17,285.2 million as of December 31, 2014. This decrease was primarily the result of lower revenues from natural gas exports due to lower gas prices.

Net international reserves held by the Central Bank were U.S.\$10,081 million as of December 31, 2016, a decrease of 22.8% as compared to U.S.\$13,055.9 million as of December 31, 2015. Net international reserves held by the Central Bank as of December 31, 2015 represented a decrease of 13.7% as compared to U.S.\$15,122.8 million as of December 31, 2014.

Given the international financial turmoil, the Central Bank continued to diversify its investments in international reserves in 2014 and 2015, moving into investments denominated in Canadian dollars, Australian dollars and Renminbi, with a total share of around 9% of total reserves as of December 31, 2015. The Central Bank also decreased its gold reserves by 11.4% as compared to December 31, 2014, bringing gold reserves to U.S.\$1,455.1 million as of December 31, 2015.

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

Net International Reserves

	As of December 31,				
	2011	2012	2013(p)	2014(p)	2015(p)
	(in millions of U.S.\$)				
Central Bank	12,018.5	13,926.7	14,430.1	15,122.8	13,055.9
Banking System	1,177.2	1,422.0	1,655.0	2,162.4	2,616.2
Total	13,195.7	15,348.7	16,085.2	17,285.2	15,672.1
Import Reserve Cover (months)	0.16	0.17	0.15	0.14	0.14
Net International Reserves/GDP	0.50	0.51	0.47	0.46	0.39

Source: Central Bank

(p) Preliminary.

Net International Reserves of the Central Bank by Currency

	As of December 31,				
	2011	2012	2013 ^(p)	2014 ^(p)	2015 ^(p)
	(in millions of U.S.\$)				
U.S. Dollars	7,491.2	8,902.9	9,884.1	10,631.1	9,160.9
Gold	2,109.1	2,267.3	1,647.4	1,642.3	1,455.1
Euros	1,478.4	1,510.8	1,592.9	1,405.5	1,015.5
Australian Dollars	343.2	362.8	321.8	303.6	277.2
Canadian Dollars	340.1	353.3	335.1	310.8	262.2
IMF Special Drawing Rights	252.5	264.3	256.7	241.4	231.2
Renminbi	—	257.9	378.3	575.4	641.5
Other	4.0	17.4	13.9	12.8	12.3

Source: Central Bank

(p) Preliminary.

Foreign Direct Investment

Net foreign direct investment averaged U.S.\$915.25 million between 2010 and 2015, compared to U.S.\$227.5 million between 2004 and 2009. In 2015, net foreign direct investment decreased to U.S.\$503.4 million, from U.S.\$647.8 million in 2014 and U.S.\$1,749.6 million in 2013, due in part to the nationalization of certain enterprises and compensation we have paid in connection with such nationalizations. This decrease was principally directed to the hydrocarbon, mining and industry sectors, which accounted for 65.0%, 17.0% and 2.6% of total gross foreign direct investment, respectively, in 2015. Net foreign direct investment has contracted from 3.4% of GDP in 2010 to 1.5% of GDP in 2015.

Gross foreign direct investment in the hydrocarbon sector reached U.S.\$688.9 million in 2015, a decrease of 49.0% as compared to 2014, while gross foreign direct investment in the mining and industrial sectors reached U.S.\$180.0 million and U.S.\$27.6 million, respectively, in 2015, representing decreases of 13.1% and 93.5%, respectively, from 2014.

The level of gross foreign direct investment in 2015 decreased to U.S.\$1,059.9 million from U.S.\$2,112.9 million in 2014 and U.S.\$2,029.9 million in 2013. Divestment totaled U.S.\$556.5 million in 2015, a decrease from U.S.\$1,465.1 million in 2014, which was primarily the result of an decrease in debt repayments by domestic companies to their foreign parent companies.

The main sources of foreign direct investment in 2015 were Spain, France and the United Kingdom, which were primarily for hydrocarbons and mining.

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

Foreign Direct Investment

	For Year ended December 31,				
	2011	2012	2013 ^(p)	2014 ^(p)	2015 ^(p)
	(in millions of U.S.\$)				
Gross Foreign Direct Investment					
Hydrocarbons	383.9	946.2	1,399.5	1,350.8	688.9
Mining	238.4	218.9	151.0	207.2	180.0
Industry	216.7	107.9	306.4	426.0	27.6
Transport, Storage and Communications.....	101.6	49.6	59.9	14.6	84.8
Trade, Electricity and Other Services	92.7	182.7	113.1	114.3	78.7
Total	1,033.3	1,505.3	2,029.9	2,112.9	1,059.9
Foreign Direct Investment Outflow	(174.4)	(445.3)	(280.2)	(1,465.1)	(556.5)
Net Foreign Direct Investment	858.9	1,060.0	1,749.6	647.8	503.4

Source: Central Bank

(p) Preliminary.

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.

During 2010 and 2011, the goal of our monetary policy was to contain inflationary pressures and achieve economic growth. During these years, our monetary policy was aided by a growth of deposits by the non-financial public sector in the central bank due to fiscal surpluses. Moreover, in November 2010 we began to strengthen our currency slightly to contain inflation. In early 2012, after observing a stable rate of inflation, we increased financial system liquidity, then reversed these liquidity measures at the end of 2012 to control inflationary pressures. During 2012, the exchange rate was stable. We maintained these conservative monetary policies until July 2014. During August and October 2014, we carried out a more expansive monetary policy after observing low inflation. By the end of 2014, we returned to more conservative monetary policies to reduce liquidity.

With the goal of controlling inflation and promoting economic growth in coordination with the Government, the Central Bank’s policies in 2015 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.

The Central Bank’s monetary policy in 2015 served to maintain a careful balance between the objectives of preserving low and stable inflation and contributing to economic growth. The lower external liquidity in 2015 was offset by fiscal and monetary stimulus that boosted domestic demand without driving inflation, while generating significant increases in liquidity. At the end of 2015, liquidity reached unprecedented levels and the interest rates on Government securities dropped to near zero, causing declines in interest rates in the financial system.

In a context of gradual reduction of external inflationary pressures and high uncertainty in global markets, the Central Bank maintained a stable exchange rate in 2015, which preserved public expectations and contributed to the continuity of the “bolivianization” process.

Meanwhile, the policies of the executive branch that were designed to control inflation were implemented in the context of ensuring food security and sovereignty.

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 "The Monetary System—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.

These reserve requirement regime also established an additional reserve requirement applicable to financial intermediaries. This additional reserve requirement requires financial intermediaries to maintain a 30% reserve of securities, with such reserve to be calculated as a percentage of the difference between (i) current deposits in foreign currency of less than or equal to 720 days and, (ii) such deposits as of September 30, 2008 (the "comparison base").

In February 2010, the Central Bank increased the additional reserve requirement from 30% to 45%. In April 2015, the Central Bank modified the reserve requirement for deposits in national currency to 12% (6% in cash and 6% in securities) and increased the reserve requirement for deposits in foreign currency to 21.5% (13.5% in cash and 8% in securities).

On January 10, 2012, the Central Bank established a new system of reserve requirements, which came into effect on April 2, 2012. This system consists of the gradual elimination of the comparison base for the calculation of the additional reserve requirement. Total elimination of the comparison base occurred in mid-August 2016. With these changes, since mid-August 2016, all deposits in foreign currency between zero days and 359 days are 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 are 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 are 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 "The Monetary System—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 Percentage
Start	End	
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

Requirement Period		Base Date Percentage
Start	End	
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

On June 14, 2016, the Central Bank approved a new reserve requirement that is in accordance with the new Financial Services Law. This new regulation establishes the reserve requirement for deposits in national currency, including in *Unidades de Fomento de Vivienda* (“UFVs”), at 12% (6% in cash and 6% in securities) and the reserve requirement for deposits in foreign currency, including bolivianos tied to the U.S. dollar (“MVDOL”), at 21.5% (13.5% in cash and 8% in securities).

Financial System Supervision Authority

Overview

The Financial System Supervision Authority (the “FSSA”) is entrusted with the supervision and regulation of the financial system and securities markets.

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.

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 seek to 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 applicable to all financial intermediaries. Significant policies include the following:

Minimal Capital Requirements

Banks must have at least UFVs 30,000 million. 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 December 31, 2015, the average capital adequacy ratio for financial intermediation entities was 12.01% 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 also regulates the securities market with the goal of strengthening its proper functioning through the licensing and registration of investment funds, brokerage firms, securities issues and other participants in the securities market.

Regulation in the securities market involves three basic areas: transparency, investor protection and systemic risk reduction (crisis and general deficiency). Transparency is achieved through disclosure and dissemination of information regulations. With respect to investor protection and systemic 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, 2015, the Bolivian banking system was composed of 52 financial entities:

- 11 national banks;
- 2 foreign bank branches;
- 3 private financial funds;
- 8 savings and loans mutuals; and
- 28 credit unions.

Monetary Sector

In 2015, 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 2015. The monetary base expanded by 16.8% in 2015, which, with respect to origin, was primarily the result of expansionary monetary policy. See “The External Economy—International Reserves.” With respect to destination, this increase was primarily the result of the increase in bank reserves and expanded circulation due to bolivianization. See “The Monetary System—Monetary and Finance Sector—Deposits, Loans and Bolivianization.” Monetary emission reached Bs.42,923 million in 2015, an increase of 3.74% as compared to Bs.41,372 million in 2014 and Bs.37,001 million in 2013.

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, impact the monetary base and monetary aggregates. 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.

In 2013 and 2014, we achieved record figures in our net international reserves, due to positive external performance, where we reached balance of payments surpluses and record figures for gross foreign direct investment. See “The External Economy.” Foreign exchange reserves declined in 2015, but the reserves-to-GDP ratio remained at a comfortable level. Bolivian authorities attach great importance to preserving external solvency and servicing its external debt, and the country still enjoys a creditor international investment position. During 2013, and the first seven months of 2014, our monetary policy was contractive, seeking to prevent inflationary effects. Between August and October 2014, we adopted an expansionary policy seeking to correct downward interest rates, taking advantage of the lower monthly inflation recorded during the year. To prevent inflationary pressures, in the last two months of 2014, we returned to a contractive monetary policy. The lower external liquidity in 2015 was offset by fiscal and monetary stimulus that stimulated domestic demand without fueling inflation, while generating significant increases in liquidity.

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

- Strengthening the national currency and contributing to further bolivianization, further supporting monetary and exchange rate policy and reinforcing 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,				
	2011	2012	2013	2014	2015
	(in millions of Bs. except as otherwise noted)				
Monetary Base	41,768.1	48,670.6	51,605.9	61,256.8	71,566.6
Origin					
Net International Reserves	82,447.2	95,537.3	98,990.8	103,742.7	89,563.5
Net Public Sector Credit	(23,173.1)	(29,315.8)	(33,813.1)	(29,328.9)	(15,862.1)
Bank Credit	1,072.5	1,230.4	5,303.7	5,371.4	5,214.6
Certificates of Deposit, Letters and Bonds(1)	9,839.3	8,979.3	16,751.9	18,594.7	10,097.5
Net Other Accounts	(8,739.3)	(9,802.0)	(2,123.6)	66.3	2,748.0
Destination					
Currency of the General Public	25,813.6	29,304.7	32,716.4	36,670.6	37,180.6
Bank Reserves	15,954.5	19,365.9	18,889.5	24,586.2	34,385.9
Monetary Base Variation (%)	28.2	16.5	6.0	18.7	16.8

Source: Central Bank

(1) Central Bank Certificates of Deposit, Letters of Monetary Regulation and Monetary Regulation Bonds held by banks and other financial institutions.

The behavior of the broader monetary aggregates in 2015 was primarily the result of higher financial system deposits. The increase of deposits in national currency, which increased by 22.6% in 2015 as compared to 2014, to Bs.118,138.7 million in 2015 from Bs.96,384.3 in 2014, 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, maintained the rates observed in 2014.

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

Money Supply

	As of December 31,				
	2011	2012	2013	2014	2015
	(in millions of Bs.)				
Monetary Aggregates(1)					
M1	37,092.3	44,297.1	50,527.0	57,946.4	61,815.0
M ¹ 1	42,821.4	50,998.2	57,981.2	65,694.0	70,425.2
M2	55,353.7	66,554.4	78,367.0	91,779.6	106,772.3
M ² 2	70,469.6	82,646.1	95,835.9	109,988.1	126,573.5
M3	73,285.8	94,908.8	114,826.9	136,582.3	161,323.2
M ³ 3	99,315.1	119,366.7	138,661.3	160,278.9	186,305.2
M4	77,322.3	98,092.9	119,371.8	144,239.0	170,902.1
M ⁴ 4	103,351.6	122,550.8	143,206.2	167,935.5	195,884.2

	As of December 31,				
	2011	2012	2013	2014	2015
	(in millions of Bs.)				
M'3 Variation (%)	17.7	20.2	16.2	15.6	16.2
Monetary Multipliers(3)					
m1	0.9	0.9	1.0	0.9	0.9
m'1	1.0	1.0	1.1	1.1	1.0
m2	1.3	1.4	1.5	1.5	1.5
m'2	1.7	1.7	1.9	1.8	1.8
m3	1.8	2.0	2.2	2.2	2.3
m'3	2.4	2.5	2.7	2.6	2.6
m4	1.9	2.0	2.3	2.4	2.4
m'4	2.5	2.5	2.8	2.7	2.7

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 growth of over 17.6% of loan portfolios in 2015 as compared to 2014.

Deposits in the financial system continued their upward trend, increasing by 19.9% as of December 31, 2015, as compared to December 31, 2014, to reach U.S.\$21,364.0 million as of December 31, 2015, primarily as a result of growth in household income and ability to save, wage increases, increased remittances and public confidence in the soundness of the financial system. Deposits in the financial system were U.S.\$22,462 million as of December 31, 2016. Financial system loans increased in 2015, reaching U.S.\$16,319.3 million as of December 31, 2015, a 17.6% increase as compared to December 31, 2014. Financial system loans were U.S.\$19,898 million as of December 31, 2016. This increase was primarily due to the sustained growth of our economic activity, the implementation of the new Financial Services Law and a set of Government measures designed to boost productive credit and housing. The low delinquency rate that has been stable at 1.5% since 2012 which 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 36.2%, decreased by 1.3% and increased by 6.2%, respectively, as of December 31, 2015 as compared to December 31, 2014.

The 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 fifteen years, 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 80%, reversing the state of almost total dollarization at the beginning of the 21st century. The percentage of deposits and credit denominated in national currency reached 82.7% and 95.3%, respectively, as of December 31, 2015.

In June 2013, the Financial Action Task Force on Money Laundering ("FATF"), an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions (including the United States, the United Kingdom and Canada), removed Bolivia from its list of jurisdictions subject to FATF's monitoring process as a result of our establishment of the necessary legal and regulatory framework to fulfill our obligations under the action plan regarding the strategic deficiencies that the FATF identified in February 2010.

On May 2015, Bolivia's Financial Investigation Unit ("FIU") was accepted as a full member of the Group of Experts for the Control of Money Laundering ("GELAVEX") part of the Inter-American Drug Abuse Control Commission (CICAD), the drug control agency of the Organization of American States (OAS).

In December 2015, Bolivia's Financial Investigation Unit was appointed by the 32nd plenary of the Financial Action Task Force of Latin American ("GAFILAT") as president pro tempore for the year 2016.

The following table shows public deposits and loan portfolio by type for the five years ended December 31, 2015:

Public Deposits and Loan Portfolio by Type

	As of December 31,				
	2011	2012	2013	2014	2015
	(in millions of U.S.\$ except as otherwise noted)				
Public Deposits					
Overnight	2,434.5	2,950.8	3,311.7	3,841.6	4,408.5
Savings	3,928.1	4,385.4	5,176.5	6,203.1	7,780.0
Fixed Term	3,957.1	5,042.8	5,789.3	6,708.7	7,966.8
Others	322.9	374.3	520.7	666.2	675.5
Total Public Deposits	10,642.6	12,753.3	14,798.2	17,419.6	20,830.8
Deposit Bolivianization (%)	63.8	71.7	77.2	80.7	82.7
Loan Portfolio					
Gross					
Performing	8,359.5	10,083.4	12,016.8	13,973.3	16,405.2
Past-Due	30.1	41.3	57.1	66.9	76.9
Implementation	109.6	107.5	123.7	146.4	175.8
Total Gross	8,499.2	10,232.3	12,197.6	14,186.7	16,657.9
Accrued Interest Receivable	73.7	93.5	110.7	129.0	144.3
Provision For Bad Debt Portfolio	(288.6)	(313.7)	(380.6)	(441.2)	(482.9)
Total Loan Portfolio	8,284.3	10,012.1	11,927.8	13,874.4	16,319.3
Credit Bolivianization (%)	69.5	80.0	87.6	92.3	95.3
Nonperforming Loans (%)	1.6	1.5	1.5	1.5	1.5

Source: Financial System Supervision Authority, Central Bank

The following table shows the gross loan portfolio by use for the five years ended December 31, 2015:

Gross Loan Portfolio by Use

	As of December 31,				
	2011	2012	2013	2014	2015
	(in millions of U.S.\$)				
Productive					
Agriculture and Livestock	405.6	532.6	677.6	942.0	1,358.7
Hunting, Forestry and Fishing	8.5	9.5	10.3	11.4	18.0
Petroleum and Natural Gas	24.3	27.8	30.0	32.2	29.3
Metallic and Nonmetallic Minerals	48.4	51.3	59.5	50.8	62.7
Manufacturing	1,229.7	1,443.9	1,646.2	2,089.7	2,678.7
Production and Distribution Of Electricity and Natural Gas	70.7	60.1	57.6	84.2	136.2
Construction	1,196.2	1,381.8	1,562.8	1,747.6	2,237.5
Total Productive	2,983.3	3,506.9	4,044.1	4,957.9	6,521.0
Wholesale and Retail	2,443.5	3,116.5	3,737.4	4,194.7	4,283.5
Services					
Hotels and Restaurants	143.8	167.3	210.7	228.9	278.0
Transport, Storage And Communications	558.8	602.5	761.5	818.6	951.8
Financial Intermediation	94.0	102.9	130.8	145.5	163.8
Real Estate, Renting and Business Services	1,951.9	2,404.0	2,924.2	3,435.5	3,982.6
Public Administration, Defense and Social Security	8.3	7.0	3.5	3.2	3.1
Education	51.5	48.1	47.6	47.1	46.3
Social, Community and Personal Services	261.9	274.5	336.2	354.0	426.6
Private Household Services	0.3	0.6	0.6	0.3	0.4
Extraterritorial Organizations and Bodies	0.1	0.1	0.3	0.3	0.3
Atypical Activities	1.8	1.7	0.8	0.6	0.5
Total Services	3,072.4	3,608.8	4,416.1	5,034.0	5,853.3
Gross Loan Portfolio	8,499.2	10,232.2	12,197.6	14,186.7	16,657.9

Source: Financial System Supervision Authority

Interest Rates

The Financial Services Law (*Ley de Servicios Financieros*) enacted in August 2013 and its regulatory decrees, set the maximum interest rates between 5.5% and 6.0% for loans to acquire public housing. Similarly, this law and its regulations set rates between 6.0% and 11.5% for loans to the manufacturing sector (6.0% for medium and large enterprises, 7.0% for small businesses and 11.5% for microenterprises). In addition, the law and its regulations set forth a minimum interest rate of 2.0% for deposits up to Bs.70,000.

In 2015, the borrowing interest rates of the financial system in national currency were generally below those recorded in 2013 and 2014. This decrease was primarily the result of a reduction in monetary policy rates and the availability of greater resources for financial institutions, due to an expansive monetary policy that allowed for greater liquidity, mainly through the maturity of certain monetary instruments of the Central Bank. The interest rates for foreign currency deposits declined slightly in 2015 and continued at lower levels 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, 2015:

Effective Interest Rates

	2011	2012	2013	2014	2015
	(%)				
Average Interest Rate for Period					
Effective Lending Rate					
National Currency					
Banks	10.92	11.09	10.89	8.46	7.44
Cooperatives	16.05	16.09	15.63	15.99	13.77
Private Financial Funds	22.41	20.35	18.38	16.54	11.64
Savings and Loans Mutuals	7.17	7.83	7.86	7.79	6.49
Foreign Currency					
Banks	8.01	7.87	7.74	7.50	8.02
Cooperatives	13.26	12.97	12.93	13.60	16.64
Private Financial Funds	16.22	13.29	12.92	11.03	14.01
Savings and Loans Mutuals	6.54	8.76	7.81	8.83	7.39
Effective Deposit Rate					
Time Deposits					
National Currency					
Banks	1.45	1.69	1.77	3.00	1.55
Cooperatives	2.35	2.83	2.97	2.94	2.99
Private Financial Funds	1.88	2.47	2.18	2.97	2.68
Savings and Loans Mutuals	0.63	1.42	1.71	1.63	1.86
Foreign Currency					
Banks	0.33	0.25	0.18	0.20	0.13
Cooperatives	1.94	1.73	1.56	1.52	1.14
Private Financial Funds	1.12	0.97	0.48	0.51	0.65
Savings and Loans Mutuals	0.40	0.55	0.20	0.16	0.11
Savings					
National Currency					
Banks	0.77	0.82	1.03	0.76	0.66
Cooperatives	0.60	0.64	0.77	0.87	0.89
Private Financial Funds	0.79	0.82	0.99	1.27	1.54
Savings and Loans Mutuals	0.77	1.30	1.65	2.59	3.03
Foreign Currency					
Banks	0.13	0.10	0.07	0.0	0.01
Cooperatives	0.51	0.43	0.34	0.35	0.29
Private Financial Funds	0.30	0.26	0.20	0.17	0.15
Savings and Loans Mutuals	0.64	0.47	0.25	0.22	0.05
Interest Rate at End of Period					
Effective Lending Rate					
National Currency					
Banks	10.81	10.60	11.41	8.00	7.36
Cooperatives	16.06	15.75	15.13	15.92	16.91
Private Financial Funds	21.22	19.36	16.36	14.57	12.62
Savings and Loans Mutuals	7.11	8.14	7.74	8.18	7.42
Foreign Currency					
Banks	7.87	7.59	7.62	7.08	7.72
Cooperatives	12.61	13.54	12.44	13.68	14.40
Private Financial Funds	12.44	13.32	12.57	12.15	11.18
Savings and Loans Mutuals	8.97	7.97	7.81	6.88	6.04
Effective Deposit Rate					
Time Deposits					
National Currency					
Banks	1.65	1.24	2.68	2.54	1.40

	2011	2012	2013	2014	2015
			(%)		
Cooperatives	2.66	2.87	2.97	2.95	3.01
Private Financial Funds	2.47	2.23	2.30	2.13	2.09
Savings and Loans Mutuals	0.91	1.59	1.41	1.82	1.76
Foreign Currency					
Banks	0.68	0.14	0.19	0.16	0.10
Cooperatives	2.44	1.56	1.71	1.89	0.85
Private Financial Funds	1.65	0.68	0.64	0.58	0.61
Savings and Loans Mutuals	0.51	0.17	0.16	0.09	0.17
Savings					
National Currency					
Banks	0.70	0.86	0.94	0.62	0.53
Cooperatives	0.57	0.71	0.79	0.92	0.90
Private Financial Funds	0.67	0.75	1.02	1.56	1.49
Savings and Loans Mutuals	1.16	1.46	1.78	2.79	3.07
Foreign Currency					
Banks	0.12	0.09	0.05	0.01	0.01
Cooperatives	0.46	0.46	0.32	0.36	0.19
Private Financial Funds	0.25	0.27	0.13	0.18	0.11
Savings and Loans Mutuals	0.73	0.24	0.23	0.04	0.08

Source: Central Bank

Effective average lending rates in national currency generally decreased in 2015. The effective average lending rate in national currency by banks decreased by 3.45 percentage points in 2015, from 10.89% in 2013 to 8.46% in 2014 and to 7.44% in 2015.

Effective average lending rates in foreign currency generally increased in 2015. The effective average lending rate in foreign currency by banks increased by 0.28 percentage points in 2015, from 7.74% in 2013 to 7.50% in 2014 and to 8.02% in 2015.

Effective average interest rates for deposits in national currency generally decreased in 2015 after having generally increased in 2013 and 2014. The effective average interest rate for time deposits in national currency in banks decreased by 0.22 percentage points in 2015, from 1.77% in 2013 to 3.00% in 2014 and to 1.55% in 2015. The effective average interest rate for savings in national currency in banks decreased by 0.37 percentage points, from 1.03% in 2013 to 0.76% in 2014 and to 0.66% in 2015.

Effective average interest rates for deposits in foreign currency generally decreased in 2015 and 2014. The effective average interest rate for time deposits in foreign currency in banks decreased by 0.05 percentage points in 2015, from 0.18% in 2013 to 0.20% in 2014 and to 0.13% in 2015. The effective average interest rate for savings in foreign currency in banks decreased by 0.06 percentage points, from 0.07% in 2013 to 0.01% in 2014 and in 2015.

The following table shows real interest rates for the five years ended December 31, 2015:

Real Interest Rates

	2011	2012	2013	2014	2015
			(%)		
Average Interest Rate for Period					
Real Lending Rate					
National Currency	(2.59)	3.09	1.97	2.15	3.40
Foreign Currency	(3.05)	2.57	1.66	1.53	3.12
Real Deposit Rate					
Time Deposits					
National Currency	(7.62)	(2.61)	(3.67)	(2.65)	(2.49)
Foreign Currency	(9.72)	(4.46)	(5.25)	(5.25)	(3.78)
Savings					

	2011	2012	2013	2014	2015
			(%)		
National Currency	(8.29)	(3.54)	(4.49)	(4.61)	(3.27)
Foreign Currency	(9.92)	(4.61)	(5.36)	(5.41)	(3.89)
Interest Rate at End of Period					
Real Lending Rate					
National Currency	2.94	5.09	3.85	2.23	3.88
Foreign Currency	(0.66)	2.69	0.84	1.06	3.28
Real Deposit Rate					
Time Deposits					
National Currency	(4.82)	(3.04)	(3.50)	(2.51)	(1.50)
Foreign Currency	(6.91)	(4.22)	(5.91)	(5.29)	(3.80)
Savings					
National Currency	(5.81)	(3.53)	(5.21)	(3.63)	(2.36)
Foreign Currency	(7.51)	(4.26)	(6.04)	(4.35)	(3.90)

Source: Central Bank

Average real lending rates increased in 2015. The average real lending rate in national currency increased by 1.25 percentage points in 2015, from 2.15% in 2014 to 3.40% in 2015. The average real lending rate in foreign currency increased by 1.87 percentage points in 2015, from 1.53% in 2014 to 3.12% in 2015.

Average real interest rates for deposits in national currency increased in 2015. The average real interest rate for time deposits in national currency increased by 0.16 percentage points in 2015, from negative 2.65% in 2014 to negative 2.49% in 2015. The average real interest rates for savings in national currency decreased by 1.34 percentage points in 2015, from negative 4.61% in 2014 to negative 3.27% in 2015.

Average real interest rates for deposits in foreign currency increased in 2015. The average real interest rate for time deposits in foreign currency increased by 1.47 percentage points in 2015, from negative 5.25% in 2014 to negative 3.78% in 2015. The average real interest rates for savings in foreign currency increased by 1.52 percentage points in 2015, from negative 5.41% in 2014 to negative 3.89% in 2015.

Financial Sector Performance.

In 2015, the activity of the financial intermediation system maintained an upward trend. Assets increased Bs.28,103 million (18.0%) from 2014 to 2015, mainly due to higher loan placements and increased availability. Liabilities of the financial intermediation system also maintained its upward trend, increasing Bs.26.687 million (18.8%) from 2014 to 2015, mainly due to increased obligations to the public, which is a sign of confidence in the financial intermediation system. Of these increased liabilities, 87% correspond to obligations to the public, suggesting that there is a high dependence on savings by the Bolivian population.

In 2015, the equity of financial intermediaries increased by Bs.1.416 million (10.6%) from 2014. Return on equity was 13.4 in 2015, 15.6 in 2014 and 13.3 in 2013, while return on assets was 1.1, 1.3 and 1.2, respectively.

In 2015, the main risks remained within the legal limits set by the financial regulators. The asset quality, solvency and liquidity of the financial system did not experience significant changes. The lending default rate did not change significantly as compared to the two previous years and at 1.5% was one of the lowest in the region.

Inflation

The twelve-month inflation rate as of December 31, 2016 was 4.0% as compared to 3.0%, 5.2% and 6.5% as of December 31, 2015, 2014 and 2013, respectively. In 2015, according to the World Economic Overview published by the IMF, we obtained the highest GDP growth rate and the lowest inflation rate in South America.

The highest monthly inflation rate in 2015 occurred in January as a result of an aggressive monetary expansion. After January 2015, the Central Bank reversed its policy and in March and April inflation rates were negative (0.49% and 0.43%, respectively). In this context, the Central Bank increased liquidity to promote economic growth.

In 2015, Bolivia had the lowest inflation rate in the region as a result of an excellent agricultural year, lower inflation expectations, low external inflationary pressures and a stabilized exchange rate regime.

The inflation rate in January 2015 was 0.97%. As a consequence, 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; (3) controlling speculation and smuggling; and (4) open market operations;. See “The External Economy—Foreign Trade.”

At the beginning of 2015, the Government sold sugar to the bread making sector at a lower price than that available in the domestic market in order to avoid an increase in the price of bread. In addition, the Government provided subsidies and assisted in the commercialization of agricultural products, including rice, maize and wheat, and their derivatives.

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, 2009.....	0.3
As of December 31, 2010.....	7.2
As of December 31, 2011.....	6.9
As of December 31, 2012.....	4.5
As of December 31, 2013.....	6.5
As of December 31, 2014.....	5.2
As of December 31, 2015.....	3.0

Source: National Institute of Statistics

Exchange Rates

The Central Bank maintains fixed exchange rates to the boliviano that are periodically readjusted. See “Exchange Rates.” The exchange rate was not adjusted in 2015. Exchange rate policy in 2015 was designed, as in 2014, to assist in anti-inflationary measures through small revaluations of the national currency in order to temper external inflationary pressures. See “The Monetary System—Monetary and Finance Sector—Inflation.” The boliviano did not appreciate during 2015, closing at Bs.6.86 per U.S.\$1.00 on December 31, 2015. As of the date of this Offering Memorandum, the exchange rate has not been adjusted in 2016.

Stock Market

Overview

The Bolsa Boliviana de Valores, the only stock exchange 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 to efficiently channel investors’ savings into companies and private and state institutions that require resources to finance productive projects and development.

As of December 31, 2015, a total of 114 issuers were registered in the Bolsa Boliviana de Valores, out of which 29 issued new securities during 2015, showing an increase of 26.1% as compared to 2014 where 23 issuers issued new securities. During 2015, securities of an aggregate value of U.S.\$924.6 million were issued in the primary market. Fixed income securities represent the largest percentage of securities that trade on the stock market, accounting for 96.7% and 95.6% of trading volume in 2015 and 2014, respectively.

Issuance by Sector

The banking sector ranks highest, with U.S.\$701.8 million in stock as of December 31, 2015, 34.5% of the total value, followed by the hydrocarbon sector, which has issued U.S.\$684.0 million, or 33.6% of the total value, and the electrical sector, which has issued U.S.\$455.0 million, or 22.4% of the total value. Insurance companies rank fourth with U.S.\$85.2 million, or 4.2% of the total value, while the transport sector, has issued U.S.\$52.8 million or 2.6%

of the total value. Other industries, such as agroindustry and services, including financial services, combine to account for the remaining 2.7% of the total value.

Trading Amounts by Currency

The trading amounts in all currencies, particularly in bolivianos, have increased since 2010. In 2010, bolivianos represented only 56.81% of the total amount traded, while in 2015 bolivianos represented 92.49% 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

	For Year Ended December 31,					
	2010	2011	2012	2013	2014	2015
	(in millions of U.S.\$)					
Currency						
U.S. Dollars	1,103.8	1,192.7	909.2	1,281.9	843.5	555.5
Bolivianos.....	2,232.4	4,000.5	6,105.4	7,660.6	8,765.0	10,294.6
UFVs	539.6	861.8	470.6	726.1	221.1	250.4
VMC	32.1	20.2	199.4	11.1	-	-
Euros.....	-	-	-	-	-	-
Total Amount Settled	3,907.8	6,075.3	7,684.7	9,679.7	9,829.6	11,100.4

Source: Bolsa Boliviana de Valores

Trading Volume

The value of stock traded in 2015 was U.S.\$43.0 million, a decrease of 85.98% as compared to U.S.\$306.8 million in 2014.

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, 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
Year Ended December 31, 2012.....	4,408.6	17.6	176.4	7,490.6
Year Ended December 31, 2013.....	4,720.7	3.0	106.0	9,570.7
Year Ended December 31, 2014.....	5,191.3	306.8	130.5	9,392.4
Year Ended December 31, 2015.....	6,004.2	43.0	320.4	10,736.6

Source: Bolsa Boliviana de Valores

PUBLIC FINANCE

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 ten 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).

In 2006, 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 21% in 2011 to 16.8% in 2015. See "Bolivia—Social Welfare Programs—Government Transfer Programs." On December 17, 2015, the Plurinational Legislative Assembly approved the budget for 2016 (the "2016 Government Budget"). The 2016 Government Budget aims to drive economic growth to 5.01% and maintain macroeconomic stability—with a rate of inflation of 5.3%—as in the previous seven years and amid the global financial crisis. In keeping with our budgets since 2006, we have budgeted a Bs.11,818.5 million deficit for the consolidated non-financial public sector in 2016 due to a set of conservative revenue assumptions upon which the budget is based, including relatively low prices for hydrocarbons of U.S.\$45.16 per barrel of oil. Despite budgeted deficits, we have recorded fiscal surpluses at the end of each fiscal year since 2006, driven by growing tax collection and controlled spending, except at the end of 2014 and 2015, when we recorded deficits of 3.4% and 6.9%, respectively, due to the Government's active role in the economy through increased public investment and income redistribution policy and the decrease in international prices of hydrocarbons and mining commodities.

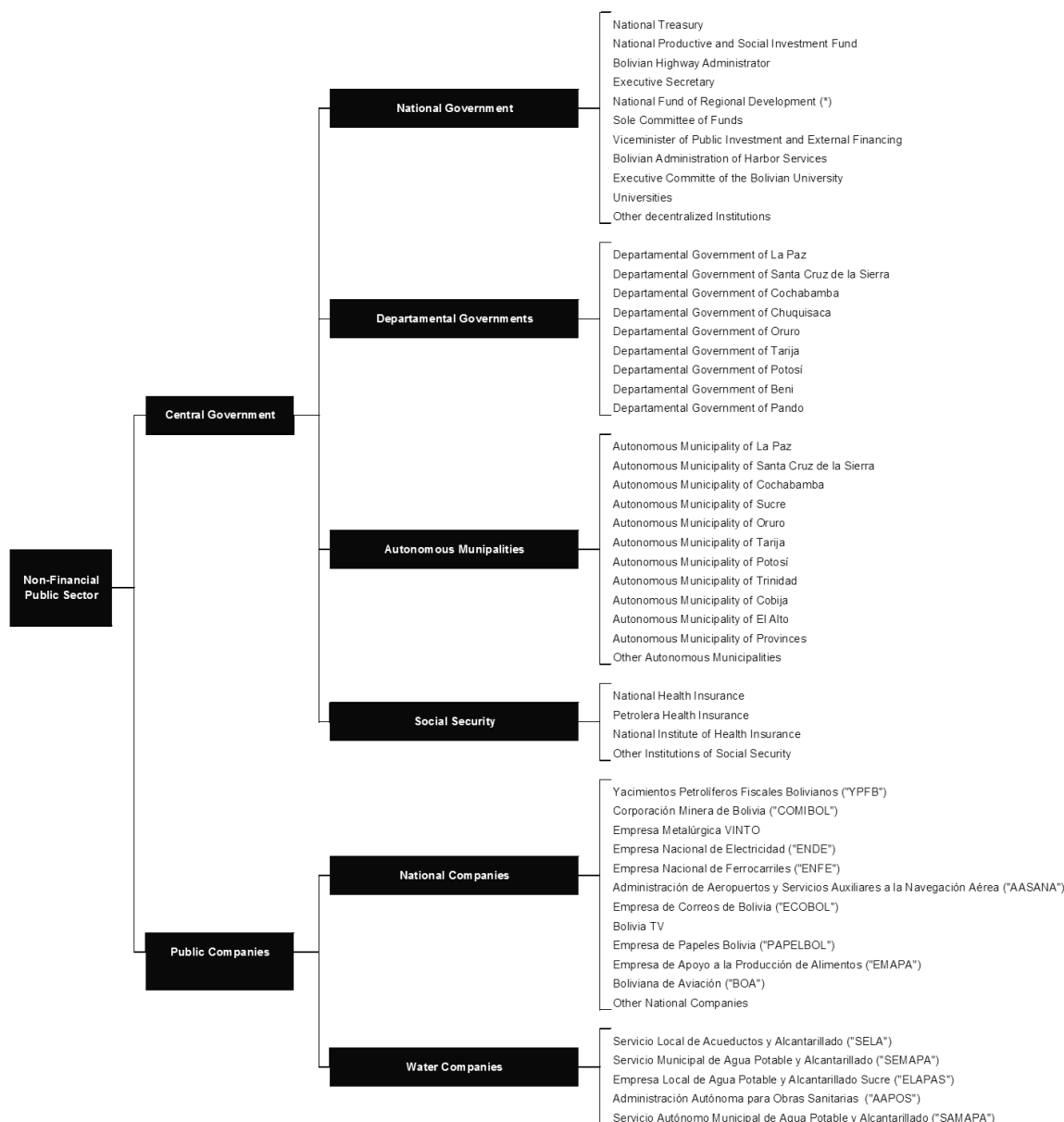
Non-Financial Public Sector

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 state-owned financial institution, the National Fund for Regional Development is included in the non-financial public sector because it is 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 eight 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 four years ended December 31, 2015 and the budgeted amount for 2016:

Consolidated Non-Financial Public Sector Operations(1)

	2012	2013	2014	2015	Budget 2016
Revenue					
Current Revenue					
Non-Hydrocarbon Tax Revenue					
Internal Revenue.....	30,914.1	36,221.3	41,024.4	43,022.9	45,598.0
Customs Revenue	2,317.0	2,710.2	2,952.4	3,119.3	3,102.1
Mining Royalties	967.0	1,042.6	1,302.5	987.7	836.2
Total Non-Hydrocarbon Tax					
Revenue	34,198.1	39,974.0	45,279.4	47,130.0	49,536.3
Hydrocarbon Taxes.....	2,447.9	2,891.3	3,024.4	3,076.8	3,118.6
Hydrocarbon Sales.....	39,560.6	47,035.8	52,174.3	39,332.5	43,331.5
Sales of Other Companies	5,393.3	6,397.6	7,519.9	7,280.4	11,416.9
Current Transfers.....	1,770.6	2,174.5	2,698.0	3,294.8	3,434.5
Other Current Revenue	3,366.3	4,553.3	5,834.6	8,066.4	34,259.8
Total Current Revenue.....	86,736.8	103,026.5	116,530.6	108,180.9	145,097.5
Capital Income.....	1,253.2	712.3	746.9	860.5	6,970.2
Total Revenue	87,990.0	103,738.7	117,277.5	109,041.4	152,067.7
Expenditures					
Current Expenditures					
Personal Services.....	18,082.6	20,775.8	25,382.1	30,400.3	35,831.6
Goods and Services	25,785.4	29,529.3	36,842.7	33,364.4	39,788.8
External Debt Interest and					1,600.8
Commission.....	573.9	774.4	996.4	1,120.6	
Domestic Debt Interest and					1,323.1
Commission.....	1,313.5	699.1	892.4	1,078.8	
Current Transfers.....	11,497.6	12,704.7	13,660.0	13,778.7	18,661.6
Of Which: Pensions (1)	5,374.4	5,173.5	6,037.4	6,956.1	7,511.9
Other Current Expenditures.....	2,193.2	3,424.4	2,896.4	4,784.7	12,177.8
Total Current Expenditures	59,446.2	67,907.7	80,670.1	84,527.6	116,895.6
Capital Expenditures.....	25,255.8	34,455.0	44,276.6	40,175.8	46,990.8
Total Expenditures	84,702.0	102,362.7	124,946.7	124,703.5	163,886.3
Current Surplus (Deficit)	27,290.6	35,118.8	35,860.5	23,653.3	28,201.9
Overall Surplus (Deficit)					
Before Pensions	8,662.3	6,549.6	(1,631.8)	(8,706.0)	(4,306.7)
Pensions	(5,374.4)	(5,173.5)	(6,037.4)	(6,956.1)	(7,511.9)
Overall Surplus (Deficit)	3,288.0	1,376.1	(7,669.2)	(15,662.1)	(11,818.6)
Total Financing	(3,288.0)	(1,376.1)	7,669.2	15,662.1	11,818.6

External Financing

	2012	2013	2014	2015	Budget 2016
Disbursements(2).....	10,384.6	8,525.4	5,204.9	7,001.3	24,481.3
Principal Repayment.....	(5,949.2)	(2,256.3)	(1,947.2)	(2,857.8)	(2,946.8)
Treasury Bonds–Venezuela	–	–	–	–	–
External Banks Deposits.....	(92.7)	(1,000.5)	(185.4)	(335.66)	(6,860.0)
Total External Financing.....	4,342.7	5,268.5	3,072.3	3,807.9	14,674.5
Domestic Financing					
Central Bank					
Quasi-Fiscal.....	(229.7)	(686.8)	(464.0)	(294.6)	(307.4)
Net Credit	(6,030.2)	(4,352.8)	4,667.6	13,620.1	25,126.0
Total Central Bank.....	(6,259.9)	(5,039.6)	4,203.7	13,325.5	24,818.6
Net Credit Financial System(3)	(987.5)	(2,040.5)	(1,760.1)	(1,142.8)	(14,411.3)
Other Domestic Financing(4)	(383.2)	435.5	2,153.4	(328.4)	(7,551.4)
Total Domestic Financing.....	(7,630.6)	(6,644.6)	4,596.9	11,854.2	2,855.9

Source: Ministry of Economy and Public Finance, Central Bank

- (1) As of 1997, the reform of the pension system (Law 1732 of November 29, 1996) provides for the mandatory social insurance, system of individual capitalization and private management.
- (2) Includes issuance of sovereign bonds since October 29, 2012.
- (3) 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.
- (4) 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 2015, we achieved the goals of economic growth and inflation set in the fiscal-financial program, despite a more adverse external context than expected. We exceeded our goals for 2015 with an inflation rate of 3.0%, compared to an expected inflation of 5.5%. We achieved growth of 4.8% by the end of the year, which was close to our estimated rate of growth of 5%, making Bolivia the fastest-growing economy of the region for the second consecutive year. In 2015, we reached a deficit of Bs.15,662.1 million as a result of the implementation of fiscal stimulus through public investment.

We had originally planned to increase domestic financing by Bs.7,474 million in 2015. However, the deficit recorded in 2015 increased our need to obtain domestic financing; as a result, domestic financing was increased by Bs.11,854.2 million in 2015. Similarly, net credit from the Central Bank was increased to Bs.13,620.1 million rather than being to Bs.6,306 million as planned.

Fiscal Balance

After 66 years of fiscal deficits, in 2006, the first year of President Evo Morales's administration, the government improved Bolivian fiscal accounts, resulting in the generation of new and higher revenues, mainly due to the nationalization of the hydrocarbon sector between 2006 and 2013, which, together with the austerity policy in force between 2006 and 2013, generated fiscal surpluses.

After eight consecutive years of fiscal surpluses, in 2014 and 2015 we recorded overall deficits of Bs.7,669.2 million and Bs.15,662.1 million, respectively, due to a more active role of the state in the economy, expanding

public investment and implementing income redistribution policies intended to maintain the momentum of economic growth. In 2015, the non-financial public sector deficit reached Bs.15,662.1 million, or 6.9% of GDP, as a result of a decrease in hydrocarbons revenues due to lower petroleum prices, deficit balances for regional governments and the General National Treasury, and increased capital expenditure in state-owned companies, aimed at boosting the industrial development and economic growth.

The largest public expenditures in 2014 and 2015 were financed with resources from the surpluses obtained in previous years (between 2006 and 2013 we had an average fiscal surplus of 2% of GDP) and with internal and external debt.

The 2015 deficit was primarily due to increased capital expenditures by state-owned enterprises in order to boost the process of industrialization and to contribute to the economic growth of the country. We believe the current account deficit is fiscally sound as it is driven primarily by the use of our cash resources in our current account to fund our significant public investments, increasing current expenditures, and because between 2006 and 2013 we obtained surpluses that allowed us to build reserves necessary to counteract declining oil prices. In 2015, we had public investment of U.S.\$4,892 million, mainly for infrastructure and production projects. Total amounts were invested as follows: the central administration represented 32.7%, public companies 27.6% and local administration 20.8%. The current account deficit is also due to the fall in prices of our main export products.

In 2014 we had a deficit of 3.4%, principally due to: (i) the negative balance sheets of subnational governments (departmental and municipal governments) that incurred higher expenditures and investment for the construction and preparations relating to the political campaigns for 2015 elections; (ii) greater investment by public enterprises, aimed at productive and natural resource industrialization projects; and (iii) other unforeseen expenditures such as the Patujú Plan and payments for the recovery of strategic enterprises.

Revenues

Between 2006 and 2015, revenue increased by Bs.75,111.2 million. However, revenue in 2015 was Bs.109,041.4 million, a decrease of 7.02% as compared to Bs.117,277.5 million in 2014, primarily due to a 7.78% decrease in current revenue in 2015, in turn due primarily to a decrease in hydrocarbon sales. Of total revenue in 2015, 35.93% was derived from hydrocarbon sales and 43.22% was derived from non-hydrocarbon taxes.

Revenues from hydrocarbon sales decreased by 24.61% in 2015, from Bs.52,174.3 million in 2014 to Bs.39,332.5 million in 2015, due to the drop in oil prices in the international market. Hydrocarbon sales, as a percentage of total revenues, decreased by 8.56 percentage points in 2015 while revenues by non-hydrocarbon public companies increased by 0.26 percentage points as a percentage of total revenues. Meanwhile, capital income, which includes multilateral and bilateral grants, increased by 15.21% in 2015, from Bs.746.9 million in 2014 to Bs.860.5 million in 2015, while capital income as a percentage of total revenues increased by 0.15 percentage points in 2015 due to the increase in income for HIPC countries and increase in resources from the Inter-American Development bank ("IDB").

Non-hydrocarbon tax revenues reached Bs.47,130.0 million in 2015, an increase of 4.09% as compared to 2014, due to greater efficiency in tax collection by tax collection entities, growth of the economy and greater public awareness of tax obligations. Taxes from internal revenue reached Bs.43,022.9 million in 2015, compared to Bs.41,024.4 million in 2014. Collections of domestic VAT, import VAT and company income taxes registered steady increases in 2015.

Expenditures

Total expenditures in 2015 reached Bs.124,703.5 million, a decrease of 0.19% as compared to Bs.124,946.7 million in 2014, primarily due to a 9.26% decrease in capital expenditures and a 9.44% decrease in expenditures in goods and services.

Current expenditures in 2015 totaled Bs.84,527.6 million, an increase of 4.78% as compared to Bs.80,670.1 million in 2014. The increase in current expenditures is primarily the result of a 19.77% increase in expenditures in goods and services and a 65.19% increase in other current expenditures. The increased expenditures have been focused on our policies of redistribution and improving the income of the population. Nonetheless, current expenditures have remained around 65% to 70% of total expenditures since 2012.

Capital expenditures in 2015 totaled Bs.40,175.8 million, a decrease of 9.26% as compared to Bs.44,276.6 million in 2014. This decrease is primarily the result of a decrease in public investment by the subnational governments following the subnational elections. Moreover, in 2014, subnational governments reached public investment records, generally motivated by the forthcoming subnational elections in 2015.

During the past several years, state-owned companies have begun to play a more active role in the economy, accounting for Bs.10,723.26 million or 26.69% of total capital expenditures in 2015, while their share of total capital expenditures was barely 1.0% in 2005. This increase has been due to projects for the principal strategic state-owned companies. YPFB completed construction of the liquids separation plant Gran Chaco “Carlos Villegas Quiroga,” in August 2015, continued construction of the urea and ammoniac plant, and inaugurated the liquefied natural gas facility in Bullo Bullo in February 2016, and continued exploratory activities in non-traditional areas. ENDE allocated resources of the completion of the Warnes thermoelectric plant, the construction of the hydroelectric power plant in San José and the hydroelectric component in Misicuni. COMIBOL executed projects for lithium industrialization and began studying the construction of zinc smelting and refining plants in Oruro and Potosí. Empresa Estatal de Transporte por Cable “Mi Teleférico” implemented the second phase of the cableway.

The following table shows the social expenditures of the Government for the five years ended December 31, 2015:

Social Expenditures of the Government(1)

	2011	2012	2013	2014	2015 ^(p)
	(in millions of Bs.)				
Education	8,840	9,037	10,033	11,829	13,330
Social Protection.....	7,025	8,660	9,910	10,488	9,980
Healthcare.....	2,333	2,150	2,526	3,365	4,354
Housing and Community Services	439	750	551	671	1,096
Total	18,636	20,598	23,021	26,352	28,760

Source: Ministry of Economy and Public Finance, Central Bank

(p) Preliminary.

(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.

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 2015, social spending on education reached Bs.13,330 million, an increase of 12.7% as compared to Bs.11,829 million in 2014. This increase was primarily the result of salary increases for teachers and administrators, the payment of the second bonus (*Aguinaldo Esfuerzo por Bolivia*) and the assignment of larger resources to public universities.

Social Protection

In 2015, Government spending on social protection, which includes programs aimed at assisting the elderly, young people entering the labor force and children, reached Bs.9,980 million, a decrease of 4.8% as compared to Bs.10,488 million in 2014. This decrease was primarily the result of beneficiaries under the Dignity Pension Program electing to accumulate their rights to dignity income (*renta dignidad*).

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, increased by 2.3% to Bs.135 million in 2015 from Bs.132 million in 2014.

Healthcare

In order to guarantee access to health services and improve food quality, especially for the most disadvantaged sectors, 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 2015, Government health spending reached Bs.4,354 million, an increase of 29.4% as compared to Bs.3,365 million in 2014. This increase was primarily the result of a general salary increase of 8.5% in the entire sector, and the increase in assignments of funds to governorships for healthcare investments at the regional level. In addition, we continued to pay the Juana Azurduy voucher program and we progressed with the implementation of the Universal Subsidy for Life program for the benefit of mothers without short-term health insurance.

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.

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.1,096 million in 2015, an increase of 63.2% as compared to Bs.671 million in 2014, which was primarily the result of the implementation of projects for improving the access, efficiency and management of irrigation, the construction of drinking water systems and sewage for several municipalities, continuing the construction of the Unasur headquarters, and the construction of emergency housing as a result of the adverse weather phenomena in 2014. Expenditure on water supply reached Bs.486 million in 2015, an increase of 5.3% as compared to Bs.460 million in 2014. Expenditure on urbanization reached Bs.187 million, an increase of 9.1% as compared to Bs.170 million in 2014.

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.15,662.1 million fiscal deficit, together with the Bs.3,807.9 million in external financing obtained in 2015, caused a further increase in domestic financing of Bs.11,854.2 million. Thus, the non-financial public sector was not able to accumulate as many resources as in previous years.

2016 Budget

Overview

The 2016 Government Budget is expansive and productive, without restrictions for social benefits, such as payments under the Dignity Pension program, the Juancito Pinto cash transfer program or the Juana Azurduy Voucher program. The 2016 State’s General Budget (*Presupuesto General del Estado* – “PGE”) guidelines were to: (i) execute policies of the Government Plan 2015-2020 and gradually implement the 2025 Patriotic Agenda; (ii) guarantee macroeconomic stability and sustainability with the objective of promoting social welfare and redistribution of income; (iii) consolidate the Economic Social Community Productive Model (*Modelo Económico Social Comunitario Productivo*), which generates and distributes the economic surpluses; and (iv) guarantee the continuity of the social policies of redistribution of resources.

The 2025 Patriotic Agenda, based on 13 pillars, constitutes the General Plan for Economic and Social Development of Bolivia, which guides the formulation of the Economic and Social Development Plan within the framework of Integral Development to Live Well 2016-2020 (PDES).

The 2016 Government Budget is based on the following forecast of the 2016 Bolivian economy:

- *GDP*: Bs.262,464 million
- *Real GDP growth*: 5.1%
- *Inflation (end of period)*: 5.3%
- *Sell foreign exchange rate (end of period)*: Var. ± 10

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 above.

Revenue

Consolidated non-financial public sector revenue is budgeted at Bs.152,067.7 million (or U.S.\$22,167.3 million), Bs.145,097.5 million (or U.S.\$21,151.2 million) of which is current revenue and Bs.6,970.2 million (or U.S.\$1,016.1 million) of which is capital revenue. Non-hydrocarbon tax revenue and hydrocarbon sales revenue are budgeted at Bs.49,536.0 million (or U.S.\$7,221.0 million) and Bs.43,331.5 million (or U.S.\$6,316.5 million), respectively, and represent 34.1% and 29.9% of budgeted current revenues, respectively. In keeping with our budgets since 2006, we have budgeted a Bs.11,818.6 million (or U.S.\$1,722.8 million) deficit for the consolidated non-financial public sector in 2016 due to what we believe to be a set of conservative revenue assumptions upon which the budget is based, including relatively low prices for hydrocarbons of U.S.\$45.16 per barrel of oil. Despite budgeted deficits, we have recorded fiscal surpluses at the end of each fiscal year since 2006, driven by growing tax collection and controlled spending, other than 2014 and 2015, when we recorded deficits of 3.4% and 6.9%, respectively, due to lower revenues from hydrocarbons, a more active role of the state in the economy, expanding public investment despite an adverse international economic environment, as well as the implementation of a policy of income redistribution, aimed at maintaining the momentum of the economic activity.

The 2016 Government Budget budgets revenue at Bs.152,067.7 million. Tax revenues under the 2016 Government Budget, excluding the Direct Tax on Hydrocarbons and Special Tax on Hydrocarbons and Derivatives for 2016, are budgeted at Bs.45,764.0 million, and represent 30.1% of budgeted revenues.

Expenditures

Consolidated non-financial public sector expenditures are budgeted at Bs.163,886.3 million (or U.S.\$23,890.1 million), Bs.116,895.6 million (or U.S.\$17,040.2 million) of which is budgeted for current expenditures and Bs.46,990.8 million (or U.S.\$6,850.0 million) of which is capital expenditures. Goods and services expenditures and personal services expenditures are budgeted at Bs.39,788.8 million (or U.S.\$5,800.1 million) and Bs.35,831.6 million (or U.S.\$5,223.3 million), respectively, and represent 34.0% and 30.7% of budgeted current expenditures, respectively.

The principal social expenditures of the 2016 Government Budget are Bs.19,494.0 million for education, Bs.19,394.0 million for public infrastructure, services and housing and Bs.15,955.0 million for health and sports. Under the 2016 Government Budget, Bs.82,111.0 million is earmarked for hydrocarbons and energy, Bs.5,731.0 million is earmarked for mining and metallurgy, Bs.7,041.0 million is earmarked for productive development, rural and land development and Bs.2,014.0 million is earmarked for economic development.

The 2016 Government Budget provides U.S.\$350.0 million for hydrocarbons subsidies, of which U.S.\$267.0 million is intended to subsidize diesel oil imports and U.S.\$56.0 million is intended to subsidize oil fields, while U.S.\$27.0 million was budgeted for liquefied petroleum, gas, special gasoline and gasoil subsidies. The hydrocarbons subsidies are determined by considering the international context and the behavior of volatile oil prices. The 2016 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.

Under the 2016 Government Budget, investment planned for the productive sector amounts to U.S.\$3,000.0 million (47% of the total U.S.\$6,395.0 million planned for public investment), which consists of U.S.\$1,454.0

million for energy projects, U.S.\$829.0 million for hydrocarbon projects, U.S.\$354.0 million for the agricultural sector, U.S.\$205.0 million for industry and tourism, and U.S.\$157.0 million for mining. In addition, U.S.\$1,947.0 million is budgeted for infrastructure investment (30% of total investment), which consists of U.S.\$1,848.0 million for the construction of roads, U.S.\$44.0 million for communications, and U.S.\$55.0 million for water resources. The investment planned for the social sector amounts to U.S.\$1,275.0 million, of which U.S.\$305.0 million is budgeted for planning and housing; U.S.\$370.0 million for education and culture; U.S.\$184.0 million for basic sanitation, and U.S.\$358.0 million for health and social security.

The nine departmental governors, the 337 municipalities, and the 11 public universities will receive transfers of Bs.20,509.0 million in the 2016 Government Budget, a decrease of 18.3% compared to the amount budgeted in 2015. The departmental governors will receive Bs.5,444.0 million, the municipalities will receive Bs.11,575.0 million, and the universities will receive Bs.3,489.0 million.

The 2017 State's General Budget (Presupuesto General del Estado – "PGE") focuses on the following: (i) the use of natural resources, generation of surpluses and redistribution of resources to other sectors that generate income and employment; (ii) reduction of poverty, inequality and creation of opportunities, with certain objectives targeted for Bolivia's Bicentennial in 2025; (iii) strengthening the productive sector and consolidating industrialization through investment projects within the framework of the Economic and Social Development Plan - PDES 2016-2020 and the 2025 Patriotic Agenda; (iv) guaranteeing resources for subsidies for food, hydrocarbons, basic services and conditioned transfer programs (Juancito Pinto Bonus, dignity rent under the Dignity Pension program, Juana Azurduy de Padilla Bonus and Universal Subsidy for Life) and other social interest programs.

The 2017 Budget is based on the following forecast of the 2017 Bolivian economy:

- *GDP*: Bs.267,059 million
- *Real GDP growth*: 4.80%
- *Inflation (end of period)*: 5.3%
- *Sell foreign exchange rate (end of period)*: Var. ± 10
- *Price of barrel of oil*: U.S.\$45.24 per barrel.

The 2017 General Budget contemplates aggressive public investment with the goal of achieving sustained economic growth and a fiscal deficit of 7.8%, which we consider fiscally responsible because it is due to increased public investment in the economy.

General Government

In 2015, the general Government recorded a deficit of Bs.10,159.0 million, after a deficit of Bs.5,693.7 million in 2014. Capital expenditures decreased by 17.2%, from Bs.37,866.3 million in 2014 to Bs.31,352.6 million in 2015, and current expenditures increased by 13.45%, from Bs.53,875.0 million in 2014 to Bs.61,123.3 million in 2015.

Total revenue was Bs.82,317.0 million in 2015, a decrease of 4.34% as compared to Bs.86,047.6 million in 2014, which was primarily the result of a decrease of 25.8% in hydrocarbon taxes, from Bs.27,525.6 million in 2014 to Bs.20,424.4 million in 2015. Domestic VAT collection increased by 4.0% in 2015, while import VAT increased by 4.9% and mining royalties decreased by 24.2%. Together, domestic VAT, import VAT and mining royalties accounted for 61.7% of the total 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 implementation of efficient customs process and operations to reduce smuggling.

Revenue generated by the hydrocarbons sector through natural gas exports decreased in 2015, which was primarily the result of a fall in oil prices and a reduction in demand from Brazil. The average annual price of natural gas exports to Argentina decreased by 27.5% in 2015, to reach U.S.\$6.2 per million BTUs. The average annual price of natural gas exports to Brazil decreased by 25.0% in 2015, to reach U.S.\$5.9 per million BTUs. Hydrocarbon tax revenue reached Bs.20,424.4 million in 2015, on account of increased revenues from the special tax on hydrocarbons and derivatives and larger hydrocarbon royalties.

Total expenditures reached Bs.92,476.0 million in 2015, an increase of 0.8% as compared to Bs.91,741.3 million in 2014, which was primarily the result of an increase of 13.45% in current expenditures, which increased from Bs.53,875.0 million in 2014 to Bs.61,123.3 million in 2015. The increase in current expenditures was primarily the result of higher salaries and wages.

Expenditures in goods and services increased by 36.85% in 2015, from Bs.6,377.2 million in 2014 to Bs.8,727.2 million in 2015, principally the result of increase in salary and wage payments due to the creation of 2,992 new jobs for the education sector and 1,907 new jobs for the health sector. Current transfers decreased by 8.67% in 2015, from Bs.18,696.1 million in 2014 to Bs.17,075.2 in 2015, principally the result of higher employer contributions, payments to retirees and transfers to public universities.

Capital expenditure decreased by 17.2% in 2015, from Bs.37,866.3 million in 2014 to Bs.31,352.6 million in 2015 due to a decrease in public investments from the regional and local Governments as a result of changes of Governors and Mayors in 2015 and record expenditure in 2014 due to the regional and local elections. Likewise, the central Government reduced capital expenditures as a result of a decrease in transport and traction equipment purchasing due to an extraordinary expenditure in 2014 to buy helicopters.

The following table shows the consolidated general Government operations for the four years ended December 31, 2015:

Consolidated General Government Operations

	2012	2013	2014(p)	2015(p)
	(in millions of Bs.)			
Revenue				
Current Revenue				
Non-Hydrocarbon Tax Revenue				
Internal Revenue.....	34,180.5	40,412.8	44,893.5	46,657.6
Customs Revenue	2,473.7	2,830.8	3,099.4	3,251.0
Mining Royalties	967.0	1,042.6	1,302.5	987.7
Total Non-Hydrocarbon Tax Revenue	37,621.3	44,286.2	49,295.4	50,896.3
Hydrocarbon Taxes.....	21,724.6	27,076.4	27,525.6	20,424.4
Sales of Other Companies	268.9	441.4	552.2	859.8
Current Transfers	2,086.1	2,692.6	3,888.4	3,981.8
Other Current Revenue	2,643.2	2,622.0	4,112.4	5,298.3
Total Current Revenue	64,344.1	77,118.6	85,374.1	81,460.6
Capital Income.....	1,250.5	707.6	673.5	856.4
Total Revenue	65,594.6	77,826.2	86,047.6	82,317.0
Expenditures				
Current Expenditures				
Personal Services	16,754.6	19,329.4	23,680.6	28,680.2
Goods and Services	3,997.3	4,768.0	6,377.2	8,727.2
External Debt Interest and Commission	407.7	725.4	954.5	1,073.6
Domestic Debt Interest and Commission	1,275.8	614.2	769.0	913.2
Current Transfers	17,428.7	19,276.2	18,696.1	17,075.2
Of Which: Pensions(1)	5,374.3	5,173.5	6,037.4	6,956.1
Other Current Expenditures	2,090.9	1,563.5	3,397.7	4,653.9
Total Current Expenditures	41,955.1	46,276.7	53,875.0	61,123.3
Capital Expenditures.....	20,219.5	28,662.6	37,866.3	31,352.6
Total Expenditures	62,174.6	74,939.3	91,741.3	92,476.0
Current Surplus (Deficit) Current	22,389.0	30,841.9	31,499.1	20,337.3
Overall Surplus (Deficit) Before Pensions	8,794.4	8,060.5	343.7	(3,202.9)
Pensions	5,374.3	5,173.5	6,037.4	6,956.1

	2012	2013	2014(p)	2015(p)
	(in millions of Bs.)			
Overall Surplus (Deficit)	3,420.0	2,887.0	(5,693.7)	(10,159.0)
Total Financing	(3,420.0)	(2,887.0)	5,693.7	10,159.0
External Financing				
Disbursements	6,837.3	7,438.6	4,259.1	6,502.8
Principal Repayment.....	(1,486.1)	(1,605.4)	(1,849.1)	(1,938.5)
External Banks Deposits.....	(92.7)	(1,000.5)	(185.4)	(335.6)
Total External Financing	5,258.5	4,832.7	2,224.6	4,228.6
Domestic Financing				
Central Bank	(8,016.0)	(7,182.1)	2,127.9	6,802.5
Quasi-Fiscal(2)	(222.7)	(686.8)	(464.0)	(294.6)
Net Credit(3).....	(7,786.3)	(6,495.3)	2,591.9	7,097.2
Other Domestic Financing(4)	321.8	(446.9)	(1,182.0)	(1,403.3)
Total Domestic Financing	(8,678.5)	(7,719.6)	3,469.1	5,930.3

Source: Ministry of Economy and Public Finance, Central Bank

(p) Preliminary.

- (1) As of 1997, pension system reform establishes an Obligatory Social Secure, individual capitalization system and the private administration.
- (2) Includes issuance of sovereign bonds since October 29, 2012.
- (3) Includes the rest of the banking system, floating debt, tax certificates, bonds issued to the Futuro de Bolivia S.A.-AFP, and others.
- (4) Includes floating debt, fiscal certificates, bonds issued to Pension Fund Managers.

State-Owned Companies

Since 2006, the Government has adopted a leading role in shaping the economy through state-owned companies that generate jobs, provide services, cover unmet demands and intervene in the market to avoid distortions. State-owned 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 2015, public companies registered a deficit of Bs.5,503.1 million, an increase of 178.57% as compared to a deficit of Bs.1,975.5 million in 2014.

Total revenue decreased by 20.19% in 2015, from Bs.68,309.2 million in 2014 to Bs.54,516.5 million in 2015, which was primarily the result of a decrease in the export price of natural gas, decreased volumes of natural gas sales, and current transfers and income from state-owned hydrocarbon company's sales, which recorded a decrease of 24.61% in 2015.

Total revenue from state-owned hydrocarbon company's sales decreased by 24.61% from Bs.52,174.3 million in 2014 to Bs.39,332.5 million in 2015. Revenue from domestic market sales increased by Bs.743.7 million, or 4.11%, in 2015, while revenue from international market sales decreased by Bs.13,585.5 million, or 39.85%, in 2015.

Total expenditures decreased by 14.61% in 2015, from Bs.70,284.7 million in 2014 to Bs.60,019.6 million in 2015, principally the result of a 24.24% decrease in tax payments, which decreased from Bs.19,617.9 million in 2014 to Bs.14,863.2 million in 2015, a 19.13% decrease in goods and services, which decreased from Bs.30,465.4 million in 2014 to Bs.24,637.2 million in 2015, and a 29.76% decrease in hydrocarbon royalty and oil import expenditures, which decreased from Bs.8,899.3 million in 2014 to Bs.6,250.8 million in 2015. Current expenditures decreased due to a reduction in the value of supplies' purchases and lower taxes as a consequence of lower expenses in Direct Hydrocarbon Taxes (*Impuesto Directo a los Hidrocarburos* – IDH).

Capital expenditures increased by 28% in 2015, from Bs.8,377.6 million in 2014 to Bs.10,723.3 million in 2015. This increase was primarily the result of increased investments in the productive sector, particularly by YPFB, ENDE and COMIBOL.

The following table shows the consolidated state-owned company operations for the four years ended December 31, 2015:

Consolidated State-Owned Company Operations

	2012	2013	2014 ^(p)	2015 ^(p)
	(in millions of Bs.)			
Revenue				
Current Revenue				
Hydrocarbon Sales				
Domestic Market(1).....	15,918.9	17,033.2	18,080.4	18,824.1
Foreign Market(2).....	23,641.7	30,002.5	34,093.9	20,508.4
Total Hydrocarbon Sales.....	39,560.6	47,035.8	52,174.3	39,332.5
Sales of Other Companies				
Domestic Market(3).....	3,777.9	4,662.6	5,524.7	5,809.1
Foreign Market(4).....	1,615.3	1,735.0	1,995.1	1,471.3
Total Sales of Other Companies	5,393.3	6,397.6	7,519.9	7,280.4
Current Transfers				
General Government.....	6,024.0	6,767.5	5,149.17	3,410.4
Private Sector.....	54.2	103.4	255.1	680.7
Total Current Transfers	6,078.2	6,870.9	5,404.3	3,410.4
Other Current Revenue	454.2	1,489.8	1,169.9	1,908.2
Total Current Revenue	51,486.3	61,794.1	66,268.4	52,612.3
Capital Income.....	195.3	958.1	2,040.8	1,904.1
Total Revenue.....	51,681.6	62,752.2	68,309.2	54,516.5
Expenditures				
Current Expenditures				
Personal Services	1,328.0	1,446.4	1,701.6	1,720.1
Goods and Services	21,788.0	24,761.4	30,465.4	24,637.2
External Debt Interest and Commission.....	166.2	49.0	42.0	47.0
Domestic Debt Interest and Commission.....	37.7	84.8	123.4	165.6
Taxes.....	15,534.3	19,854.7	19,617.9	14,863.2
Royalties and Oil Imports	7,165.5	8,642.5	8,899.3	6,250.8
Current Transfers	462.7	817.4	1,558.7	1,481.6
Other Current Expenditures	102.2	1,860.9	(501.2)	130.8
Total Current Expenditures	46,584.7	57,517.3	61,907.0	49,269.3
Capital Expenditures.....	5,229.0	6,745.8	8,377.6	10,723.3
Total Expenditures.....	51,813.7	64,263.1	70,284.7	60,019.6
Current Surplus (Deficit) Current	4,901.6	4,276.8	4,361.4	3,316.0
Overall Surplus (Deficit)	(132.1)	(1,510.9)	(1,975.5)	(5,503.1)
Total Financing.....	132.1	1,510.9	1,975.5	5,503.1
External Financing				
Disbursements	3,547.3	1,086.8	945.8	498.5
Principal Repayment.....	(4,463.1)	(651.0)	(98.2)	(919.3)
Total External Financing.....	(915.8)	435.8	847.7	(420.7)
Domestic Financing				
Central Bank.....	1,756.0	2,142.5	2,075.7	6,522.9
Floating Debt	475.6	1,474.7	1,806.1	49.6

	2012	2013	2014 ^(p)	2015 ^(p)
	(in millions of Bs.)			
Other	(1,183.7)	407.2	(2,754.0)	(648.6)
Total Domestic Financing.....	1,047.9	1,075.0	1,127.8	5,923.9

Source: Ministry of Economy and Public Finance, Central Bank

(p) Preliminary.

(1) Since May 2006, YPFB is a wholesaler.

(2) Since 2007 includes gas and petroleum sales of YPFB

(3) Since 2007 COMIBOL explodes fiscal reserves included in Huanuni mining operations.

(4) Includes Vinto since its nationalization.

Taxes

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. The same year we created the Gaming Tax and the Gaming Participation Tax. In 2015, we extended the term of the financial transactions tax through 2018. We have no personal income tax.

In June 2016 we amended the Tax Code (*Código Tributario*) to benefit taxpayers with outstanding tax debts by establishing beneficial treatment and flexible payment schedules for fines and interest on tax liabilities through the inclusion of a new formula for calculating tax debt. This amendment to the Code also reduced the statute of limitations for tax debts from 10 to 8 years.

The following table shows our current tax structure:

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%
	Finance Sector Corporate Income Tax	National	22% additional tax when profitability exceeds 6%
	Direct Tax on Hydrocarbons	National	32% on 100% of wellhead production
	Transaction Tax	National	3%
	Financial Transaction Tax	National	0.20% in 2016, 0.25% in 2017, and 0.30% in 2018
	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%, which will continue under State administration until departmental government creates its own tax
	Gaming Tax	National	30%
	Gaming Participation Tax	National	15%
	Foreign Air Departure Tax	National	Bs.314
Special Regimes	Simplified Tax Regime (small merchants, craftsmen and sutlers)	National	Fixed by category

Type	Name	Domain	Rate
	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	40%, 30%, 20%, 15%, 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.

PUBLIC SECTOR INDEBTEDNESS

General

One of the objectives of our public debt policy is the sustainability of public debt and the allocation of debt resources to finance public investment projects in strategic sectors of the economy. As of December 31, 2016, our total outstanding public debt was U.S.\$11,838.0 million, compared to U.S.\$11,244.2 million as of December 31, 2015. The total outstanding public debt as of December 31, 2015 represented a decrease of 8.4% compared to U.S.\$12,271.6 million as of December 31, 2014. Non-financial public sector domestic debt, which does not include debt contracted between non-financial public sector entities, was U.S.\$2,798.3 million, a decrease of 4.3% as compared to U.S.\$2,924.6 million as of December 31, 2014, and represented 24.9% of our total outstanding public debt as of December 31, 2015. Debt of the Central Bank, which is contracted for monetary purposes, was U.S.\$2,105.7 million as of December 31, 2015, a decrease of 41.7% as compared to U.S.\$3,610.8 million as of December 31, 2014, and represented 18.7% of our total outstanding public debt as of December 31, 2015. Finally, our total outstanding public external debt was U.S.\$7,221.6 million as of December 31, 2016, an increase of 13.89% as compared to U.S.\$6,340.8 million as of December 31, 2015. Total outstanding public external debt as of December 31, 2015 represented an increase of 10.5% as compared to U.S.\$5,736.2 million as of December 31, 2014, and represented 56.4% of our total outstanding public debt as of December 31, 2015.

The following table shows our public debt by debtor as of the five years ended December 31, 2015:

Public Debt

As of December 31,									
2011		2012		2013		2014		2015 ^(p)	
Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
(in millions of U.S.\$ except percentages)									
Public Domestic Debt									
Non-Financial Public									
Sector Domestic Debt(1)									
Central Bank Debt.....									
Total Domestic Debt									
Public External Debt									
General National Treasury									
Other(2).....									
Total External Debt.....									
Total Public Debt									

Source: Ministry of Economy and Public Finance, Central Bank

(p) Preliminary.

(1) Net of inter-sector indebtedness.

(2) Public Companies, Departmental and Municipal Governments.

Our gross public debt (domestic and external) has decreased significantly in the last decade, benefiting from the MDRI program and fiscal surpluses. The portfolio composition of our total public debt has also changed significantly since 2000. In 2000, our total public debt balance was composed of 20% domestic debt and 80% external debt. This was substantially reversed in 2015 as domestic debt increased to 43.6% of total public debt and external debt decreased to 56.4% 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 current long-term foreign- and local-currency sovereign credit rating from Standard & Poor's is BB, our foreign currency government bond rating from Moody's is Ba3 and our foreign and national currency rating (IDR) by Fitch Ratings is BB-.

Our credit ratings from Standard & Poor's, Moody's, and Fitch Ratings have generally improved in 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 BB- on May 31, 2013, a BB on June 11, 2014 and a BB on May 18, 2015. Moody's assigned a foreign currency government bond rating of B3 on April 16, 2003, Ba3 on August 8, 2013, Ba3 on October 30, 2014 and Ba3 on October 16, 2015. Our foreign and national currency rating (IDR) by Fitch Ratings on March 17, 2004, was B-, it increased to BB- on October 9, 2013, BB- with positive outlook on August 12, 2014 and BB on July 15, 2015. However, in 2016, the outlook and credit ratings from Moody's and Fitch Ratings, respectively, were lowered. On June 10, 2016, Moody's cut the outlook of our bond ratings from Ba3 to Ba3 negative due to persistent fiscal and balance-of-payment pressures as a result of Bolivia's widening fiscal and current account deficits and lack of fiscal adjustment measures to compensate for lower hydrocarbon revenues and on July 13, 2016, Fitch Ratings downgraded our IDR from BB to BB- with a stable outlook due to the weaker gas price outlook and the government's policy response which resulted in deficits. 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 2015, the balance of all public domestic debt, including guaranteed debt, was Bs.38,989.6 million or 17.1% of GDP, an increase of 8.6% as compared to Bs.35,905.9 million at the end of 2014. Directly issued public domestic debt decreased to Bs.28,209.1 million in 2015 from Bs.28,663.9 million in 2014, or 1.6%. This decrease was primarily the result of favorable economic results during the previous ten years and also as a result of a prudent fiscal policy. Directly issued public domestic debt increased by 5.1% in 2016, from U.S.\$4,112.1 million as of December 31, 2015 to U.S.\$4,321.5 million as of December 31, 2016. Total public external debt was U.S.\$7,221.6 million as of December 31, 2016, an increase of 13.89% as compared to U.S.\$6,340.8 million as of December 31, 2015, all of which corresponded to our medium- and long-term public external debt since we have no short-term public external debt. The General National Treasury issued Bs.1,574.2 million in new domestic debt in 2015, a decrease of 37.0% as compared to Bs.2,501.7 million in 2014, while repaying Bs.2,314.2 million in principal, an increase of 7.9% as compared to Bs.2,145.6 million in 2014.

Public Domestic Debt by Creditor Type

As of December 31, 2015, total directly issued public domestic debt owed to the financial public sector was Bs.9,897.1 million, Bs.1.4 million owed to the non-financial public sector, and Bs.18,310.6 million owed to the private sector. Directly issued public domestic debt owed to the private sector accounted for 64.9% of directly issued public domestic debt as of December 31, 2015, while directly issued public domestic debt owed to the financial public sector accounted for 35.1% and directly issued public domestic debt owed to the non-financial public sector accounted for 0.005%.

Directly issued public domestic debt with financial public sector increased by 4.4% to Bs.9,897.1 million as of December 31, 2015 from Bs.9,483.9 million as of December 31, 2014, which was primarily the result of an increase in "Teleférico" credit, a credit issued by the Central Bank to the General National Treasury for the Construction and Implementation of Transportation System Cable "Teleférico". 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 4.5% to Bs.18,310.6 million as of December 31, 2015 from Bs.19,177.1 million as of December 31, 2014. Our directly issued public domestic debt owed to pension funds decreased by 14.0% in 2015, from Bs.9,178.2 million as of December 31, 2014 to Bs.7,891.2 million as of December 31, 2015, which was primarily the result of a Bs.1,555.1 million principal repayment in 2015.

Total directly issued public domestic debt contracted through the public auction of Treasury Bonds in the domestic financial market was Bs.10,378.5 million as of December 31, 2015, an increase of 4.3% as compared to

Bs.9,949.1 million as of December 31, 2014. This increase was primarily because in 2015 we prioritized issuances through the public auction of Treasury Bonds in the domestic financial market.

Directly issued public domestic debt owed to the non-financial public sector decreased by 50.0% to Bs.1.4 million as of December 31, 2015 from Bs.2.8 million as of December 31, 2014.

Guaranteed public domestic debt increased substantially in 2015, from Bs.7,242.0 million as of December 31, 2014 to Bs.10,780.5 million as of December 31, 2015, which was primarily the result of new loans to public companies that were guaranteed by the General National Treasury.

The following table shows our public domestic debt by instrument type as of the five years ended December 31, 2015:

Public Domestic Debt by Creditor and Instrument Type(1)

	As of December 31,				
	2011	2012	2013	2014	2015
	(in millions of Bs.)				
Financial Public Sector					
Central Bank					
Emergency Credit Treasury Bonds	2,355.1	2,267.9	2,180.7	2,093.5	2,006.2
“A” Long-Term Treasury Bills(2)	5,933.3	5,933.3	5,933.3	5,933.3	5,933.3
“B” Long-Term Treasury Bills(3).....	1,446.2	1,446.2	1,446.2	1,446.2	1,446.2
Securities.....	9.3	9.8	10.3	10.9	11.4
Total Central Bank.....	9,744.0	9,657.2	9,570.5	9,483.9	9,897.1
Funds					
Negotiable Notes.....	18.7	9.4	-	-	-
Nonnegotiable Notes.....	24.4	10.2	2.2	-	-
Total Funds	43.1	19.6	2.2	-	-
Total Financial Public Sector	9,787.1	9,676.8	9,572.7	9,483.9	9,897.1
Non-Financial Public Sector					
Nonnegotiable Notes	60.3	60.3	2.8	2.8	1.4
Total Non-Financial Public Sector	60.3	60.3	2.8	2.8	1.4
Private Sector					
Pension Funds.....	13,081.8	12,060.9	10,675.8	9,178.2	7,891.2
Financial Market					
“C” Bonds(4)	8,560.4	7,561.1	7,517.9	9,949.1	10,378.5
Amortizable “C” Bonds	38.7	-	-	-	-
“C” Treasury Bills.....	-	-	-	-	-
Total Financial Market	8,599.2	7,561.1	7,517.9	9,949.1	10,378.5
Other Private Bonds.....	-	-	-	-	-
Over-the-Counter Bonds.....	-	94.7	111.7	49.8	40.9
Total Private Sector	21,680.9	19,716.7	18,305.5	19,177.1	18,310.6
Total Directly Issued Domestic Debt.....	31,528.3	29,453.7	27,881.1	28,663.9	28,209.1
Total Guaranteed Domestic Debt	1,502.2	3,612.7	4,850.6	7,242.0	10,780.5
Total Domestic Debt	33,030.5	33,066.4	32,731.7	35,905.9	38,989.6

Source: Ministry of Economy and Public Finance

(1) General National Treasury debt only.

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

- (3) 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.
- (4) 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

The 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 36.8% of total directly issued public domestic debt as of December 31, 2015.

The next largest creditor of directly issued public domestic debt is the Central Bank, accounting for 35.1% of directly issued public domestic debt as of December 31, 2015. These directly issued public domestic debt obligations are largely composed of three 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 26.2% of total directly issued public domestic debt as of December 31, 2015.
- 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, accounting for 7.1% of total directly issued public domestic debt as of December 31, 2015.
- "Teleférico" Credit issued by the Central Bank to the General National Treasury for the Construction and Implementation of Transportation System Cable "Teleférico" in the cities of La Paz and El Alto, accounting for 31.8% of total directly issued public domestic debt as of December 31, 2015.

As of December 31, 2015, pension funds were the other important creditor of our directly issued public domestic debt, accounting for 28.0% of total directly issued public domestic debt. 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.

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 70.9% in 2015. 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 5.7% in 2015. 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 23.4% in 2015.

The following table shows our directly issued public domestic debt by currency as of the five years ended December 31, 2015:

Directly Issued Public Domestic Debt By Type of Currency(1)

	As of December 31,				
	2011	2012	2013	2014	2015
	(in millions of Bs.)				
Bolivianos	16,407.0	16,611.0	16,660.8	18,998.6	19,987.6
MVDOL	5,392.0	4,695.7	3,646.1	2,524.5	1,615.5
UFVs	9,686.2	8,127.5	7,572.0	7,140.8	6,606.0

	As of December 31,				
	2011	2012	2013	2014	2015
	(in millions of Bs.)				
U.S. Dollars	43.1	19.6	2.2	-	-
Total	31,528.3	29,453.7	27,881.1	28,663.9	28,209.1

Source: Ministry of Economy and Public Finance

(1) General National Treasury debt only.

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 31, 2005 to 4.9% December 31, 2009, 0.04% December 31, 2015.

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 31, 2005 to 6.9% as of December 31, 2010, 0.1% as of December 31, 2015.

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% as of December 31, 2005 to 93.1% as of December 31, 2010, to 99.9% as of December 31, 2015. This has been the result of an increased number of long-term securities being offered, of 6-, 8-, 10-, 15-, 20-, 30-, and 50-year duration, in order to increase the percentage of long-term directly issued public domestic debt and promote a more homogenous maturity profile. On October, 2014, we issued Bs.20.0 million in 100-year securities at an interest rate of 4.5%, which was the first time we issued securities with a duration of 100-years.

The following table shows our directly issued public domestic debt by maturity as of the five years ended December 31, 2015:

Directly Issued Public Domestic Debt By Maturity(1)

	As of December 31,				
	2011	2012	2013	2014	2015
	(in millions of Bs.)				
Short-term (less than 1 year).....	2.8	66.7	65.6	13.4	11.1
Medium-term (1-5 years).....	544.0	573.3	49.9	39.3	31.2
Long-term (5+ years).....	30,981.5	28,813.7	27,765.5	28,611.2	28,166.8
Total	31,528.3	29,453.7	27,881.1	28,663.9	28,209.1

Source: Ministry of Economy and Public Finance

(1) General National Treasury debt only.

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 2015 was Bs.3,448.1 million, with Bs.2,314.2 million representing principal repayment and Bs.1,133.9 million representing interest payments. Total directly issued public domestic debt service in 2014 was Bs.3,307.5 million, with Bs.2,145.6 million representing principal repayment and Bs.1,161.9 million representing interest payments. The Bs.140.6 million, or 4.3%, increase in debt service was primarily the result of an increase in “C” Bond and Pension Funds principal repayments.

Of total directly issued public domestic debt service in 2015, 96.2% was directed to the private sector, of which 34.7% was specifically for principal and interest payments of “C” Bonds, and 60.8% was specifically for the principal and interest payment of debt issued directly to pension funds. Of total directly issued public domestic debt service in 2012, 3.8% was directed to the Public Financial Sector, mainly to pay obligations to the Central Bank.

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

Directly Issued Public Domestic Debt Service(1)

	For Year Ended December 31,								
	2011			2012			2013		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	<i>(in millions of Bs.)</i>								
Financial Public Sector									
Central Bank									
Emergency Credit									
Treasury Bonds.....	87.2	38.5	125.7	87.2	47.1	134.3	87.2	45.4	132.6
“A” and “B” Long-Term									
Treasury Bills	—	50.4	50.4	—	0.0	0.0	—	—	—
Securities	—	0.2	0.2	—	0.2	0.2	—	0.2	0.2
Total	87.2	89.1	176.3	87.2	47.3	134.5	87.2	45.5	132.7
Funds									
Negotiable Notes	9.4	1.2	10.6	9.4	0.8	10.2	9.4	0.3	9.7
Nonnegotiable Notes.....	13.5	2.1	15.5	14.2	1.3	15.5	8.0	0.5	8.5
Total	22.9	3.2	26.1	23.6	2.0	25.6	17.4	0.8	18.2
Total.....	110.1	92.3	202.4	110.8	49.3	160.1	104.6	46.4	151.0
Non-Financial Public Sector									
Nonnegotiable Notes.....	—	1.1	1.1	—	1.1	1.1	57.4	1.1	58.5
Total.....	—	1.1	1.1	—	1.1	1.1	57.4	1.1	58.5
Private Sector									
Pension Funds.....	110.9	809.0	919.9	1,375.0	834.0	2,209.0	1,769.5	747.5	2,516.0
Financial Market									
“C” Bonds.....	2,648.3	597.1	3,245.4	1,255.4	494.8	1,750.2	959.1	436.0	1,395.1
Amortizable “C” Bonds	35.0	4.5	39.5	40.0	2.1	42.1	—	—	—
Total	2,683.3	601.6	3,284.9	1,295.4	496.9	1,792.4	959.1	436.0	1,395.1
Over-the-Counter Bonds	—	—	—	—	0.5	—	67.3	5.0	72.0
Total.....	2,794.3	1,410.6	4,204.9	2,670.4	1,331.5	4,001.9	2,795.9	1,188.5	3,984.4
Total.....	2,904.4	1,504.0	4,408.3	2,781.1	1,381.8	4,162.9	2,957.9	1,235.9	4,193.8

	For Year Ended December 31,					
	2014			2015		
	Principal	Interest	Total	Principal	Interest	Total
	<i>(in millions of Bs.)</i>					
Financial Public Sector						
Central Bank						
Emergency Credit Treasury Bonds.....	87.2	43.6	130.8	87.3	41.9	129.2
“A” and “B” Long-Term Treasury Bills.....	-	-	-	-	-	-
Securities	-	0.2	0.2	-	0.2	0.2
Total	87.2	43.8	131.0	87.3	42.1	129.4
Funds						
Negotiable Notes	-	-	-	-	-	-
Nonnegotiable Notes	2.2	0.1	2.3	-	-	-
Total	2.2	0.1	2.3	-	-	-
Total.....	89.4	43.9	133.3	87.3	42.1	129.4
Non-Financial Public Sector						
Nonnegotiable Notes	-	-	-	1.5	-	1.5
Total.....	-	-	-	1.5	-	1.5
Private Sector						
Pension Funds.....	1,895.3	641.7	2,537.0	1,555.1	539.7	2,094.8
Financial Market						
“C” Bonds.....	85.3	471.9	557.2	648.2	550.0	1,198.2
Amortizable “C” Bonds.....	-	-	-	-	-	-
Total	85.3	471.9	557.2	648.2	550.0	1,198.2
Over-the-Counter Bonds	75.6	4.4	80.0	22.1	2.2	24.3
Total.....	2,056.2	1,118.0	4.2	2,225.4	1,091.9	3,317.3
Total.....	2,145.6	1,161.9	3,307.5	2,314.2	1,133.9	3,448.1

Source: Ministry of Economy and Public Finance

(1) General National Treasury debt only.

Directly Issued Public Domestic Debt Issuances

During 2015, we issued a total of Bs.1,574.2 million of directly issued public domestic debt, a decrease of 37.1% as compared to Bs.2,501.7 million in 2014, which was primarily due to a new restrictive public debt policy adopted in 2015. New debt is primarily issued through public auction in the local financial market.

In 2015, we issued a total of Bs.1,061.0 million in “C” Bonds, B.500.0 million in “Teleférico” Credit and Bs.13.2 million in Over-the-Counter Bonds, which represented 67.4%, 31.8% and 0.8% respectively of total directly issued public domestic debt issued in 2015. We did not issue Treasury Bills to pension funds in 2015, we did not issue 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, and we did not issue Emergency Credit Treasury Bonds.

The following table shows directly issued public domestic debt issuances as of the five years ended December 31, 2015:

Directly Issued Public Domestic Debt Issuances(1)

	For Year Ended December 31,				
	2011	2012	2013	2014	2015
	(in millions of Bs.)				
Financial Public Sector					
Central Bank					
Emergency Credit Treasury Bonds.....	378.8	—	—	—	500.0
Liquidity Credits.....	—	—	—	—	—
Securities	—	—	—	—	—
Total Central Bank	378.8	—	—	—	500.0
Total Financial Public Sector	378.8	—	—	—	500.0
Non-Financial Public Sector					
Nonnegotiable Notes	—	—	—	—	—
Total Non-Financial Public Sector	—	—	—	—	—
Private Sector					
Pension Funds.....	—	—	—	—	—
Financial Market					
“C” Bonds.....	1,340.1	198.0	882.3	2,488.0	1,061.0
Amortizable “C” Bonds.....	—	—	—	—	—
“C” Treasury Bills	—	—	—	—	—
Total Financial Market	1,340.1	198.0	882.3	2,488.0	1,061.0
Over-the-Counter Bonds.....	—	94.7	84.3	13.7	13.2
Total Private Sector.....	1,340.1	292.7	966.6	2,501.7	1,074.2
Total Issuance	1,718.9	292.7	966.6	2,501.7	1,574.2

Source: Ministry of Economy and Public Finance

(1) General National Treasury debt only.

Interest Rates on “C” Bonds

As a result of our management the General National Treasury’s fiscal accounts, we did not issue as many “C” Bonds as we had originally planned in 2015. Instead, we only issued “C” Bonds when the market offered substantially better pricing and only with a 20-, 30-, 50- and 100- year maturity in national currency. We last issued “C” Bonds with 20- and 30-year terms on February 26, with an interest rate of 2.9% and 3.4%, respectively. During 2014, we issued “C” Bonds with 50 year maturity on December 31 with an interest rate of 3.9496%, and we issued the first “C” Bonds with 100-year maturity with an interest rate of 4.5% on October 2014. During 2015, we issued primarily “C” Bonds at 50- and 100-year maturity following our policy, aiming to obtain the best local market conditions; as a result interest rates decreased to 2.7489% and 3.8999%, respectively.

Guaranteed Public Domestic Debt

Guaranteed public domestic debt increased substantially in 2015, from Bs.7,242.0 million as of December 31, 2014 to Bs.10,780.5 million as of December 31, 2015. This was primarily the result of new loans to state-owned companies that were guaranteed by the General National Treasury, as authorized by the Government’s 2011, 2012, 2013, 2014 and 2015 budgets and by the 232 Law, 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%. COMIBOL was the primary beneficiary of guaranteed loan disbursements in 2015, receiving Bs.1,262.6 million in disbursements, followed by ENDE, which received Bs.1,025.9 million in disbursements, and ECEBOL, EASBA and Empresa Eléctrica Corani S.A. which received Bs.346.7 million, Bs.248.3 million and Bs.225.2 million, respectively, in disbursements.

Public External Debt

General

Our total public external debt due as of December 31, 2016 was U.S.\$7,221.6 an increase of 13.9% as compared to U.S.\$6,340.8 million as of December 31, 2015. The total public external debt due as of December 31, 2015 represented an increase of 10.5% as compared to U.S.\$5,736.2 million as of December 31, 2014. All public external debt due is medium- and long-term (i.e., a maturity of two or more years). Medium- and long-term public external debt disbursements in 2015 totaled U.S.\$1,031.9 million, an increase of 36.0% compared to U.S.\$758.9 million in 2014. We had no guaranteed public external debt as of December 31, 2015.

Proceeds from Bolivia's sovereign bonds issued in the international capital markets during 2012 and 2013 have been invested in the expansion of the national highway network and improving highway infrastructure, as shown in the table below:

Projects Funded with 2012 and 2013 Sovereign Bonds

No.	Project	Benefited Department	Amount (in millions of U.S.\$)
1	Two-way road construction Caracollo – Confital.	Oruro-CBBA	172.5
2	Two-way bridge construction Ichilo – Ivirgarzama.	CBBA – Santa Cruz	138.9
3	Highway construction Revelo – Llallagua, highway construction Ravelo – Sucre, and paving section Santa Barbara – Quiquibey.	La Paz – Potosi – Chuq.	118.7
4	Highway construction between Rios Palos Blancos.	Tarija	84.0
5	Highway construction San Ignacio – Puerto Ganadero.	Beni	81.0
6	Highway Porvenir – El choro, section Puente Rico – El Sena.	Pando	77.9
7	Two-way road construction Rio Seco – Huarina.	La Paz	60.9
8	Highway construction Turco Cosapa – Cruce Ruta F4.	Oruro	49.4
9	Two-way road construction Huarina – Tiquina.	La Paz	40.3
10	Madre de Dios bridge construction .	Pando	29.9
11	Two-way road construction Huarina – Achacachi.	La Paz	24.0
12	Second cross construction Rio Seque – La Cumbre La Paz.	La Paz	21.9
13	Rurrenabake bridge construction.	Beni – La Paz	20.0
14	Beni 2 bridge construction.	Beni – Pando	19.1
15	Ciudad de Huanuni bypass construction.	Oruro	11.4
16	Ipurupuru – Machupo I and II building construction.	Beni	8.1
17	Productive infrastructure and social projects (La Paz Department bridges).	La Paz	5.1
18	Construction of 46 bridges in productive areas of Trópico de Cochabamba.	CBBA.	6.0
19	Mineros bridge	Santa Cruz	4.5
20	Other	Several	27.3
Total:			1,000.0

IDB has made the largest yearly disbursements since 2006, with a total of U.S.\$334.5 million disbursed in 2015, followed by the CAF, with a total of U.S.\$288.4 million in 2015. As of December 31, 2015, 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. We did not have any public external private debt from 2006 until 2011. 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.

In October 2012, we issued 4.875% notes due 2022 with a total principal amount of U.S.\$500.0 million and in August 2013 we issued 5.95% notes due in 2023 with the same principal amount as in 2012.

The following table shows the balance of our public external debt as of December 31, 2015:

Public External Debt

	Balance as of December 31, 2014	Disbursements	Principal Repayment	Exchange Rate Changes	Balance as of December 31, 2015
<i>(in millions of U.S.\$)</i>					
Short-term Debt					
Medium- and Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Multilateral.....	3,901.1	984.6	204.5	(30.2)	4,651.0
Bilateral.....	835.1	47.3	169.8	(23.3)	689.2
Private	1,000.0	0.0	0.0	0.0	1,000.0
Total	5,736.2	1,031.9	374.4	(53.5)	6,340.8
Total Public External Debt	5,736.2	1,031.9	374.4	(53.5)	6,340.8

Source: Central Bank

Short-Term Public External Debt

Since 2013, we do not have any short-term public external debt.

Medium- and Long-Term Public External Debt

Evolution of Medium- and Long-Term Public External Debt

As of December 31, 2015, our medium- and long-term public external debt was U.S.\$6,340.8 million, an increase of 10.5% as compared to U.S.\$5,736.2 million as of December 31, 2015. 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 then.

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, 2015 shows a high participation by multilateral agencies, accounting for 73.4%. CAF was our main creditor as of December 31, 2015, with 30.0%, of our medium- and long-term public external debt, followed by the IDB, with 27.9%, and the World Bank, with 11.6%. These three major external creditors accounted for 69.5% of our medium- and long-term public external debt as of December 31, 2015. Bilateral creditors accounted for 10.9% of our medium- and long-term public external debt as of December 31, 2015. Our primary bilateral creditors as of December 31, 2015 were China, with 8.4% of our medium- and long-term public external debt, Brazil, with 0.9%, and Germany, with 0.7%. Our private debt accounted for 15.8% of our medium- and long-term public external debt as of December 31, 2015.

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, 2015:

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

	As of December 31,				
	2011	2012	2013	2014	2015
<i>(in millions of U.S.\$)</i>					
Multilateral					
CAF	1,316.6	1,511.0	1,628.8	1,772.3	1,900.8

	As of December 31,				
	2011	2012	2013	2014	2015
	<i>(in millions of U.S.\$)</i>				
IDB	764.2	936.0	1,179.4	1,458.4	1,768.5
World Bank	393.9	443.0	498.6	498.6	735.4
FONPLATA	36.2	48.0	32.3	54.3	91.2
IFAD	46.7	40.0	50.9	48.2	51.8
NDF	40.5	37.3	39.9	35.7	32.6
BEI	-	-	-	-	16.6
OPEC	22.8	25.2	30.0	33.6	54.7
Total Multilateral	2,620.8	3,040.9	3,459.8	3,901.1	4,651.0
Bilateral					
Argentina	6.3	5.4	4.6	3.7	2.6
Brazil	172.0	93.0	80.3	70.9	56.0
China	170.8	291.4	457.2	535.7	530.2
France	8.8	7.9	7.2	5.4	4.1
Germany	54.1	55.5	58.5	51.8	45.7
Italy	5.9	5.0	4.0	2.5	1.4
South Korea	20.1	21.3	20.4	25.6	35.3
Spain	16.2	15.7	15.4	14.1	13.1
Venezuela	416.9	159.8	154.5	125.3	0.8
Total Bilateral	871.1	654.9	802.0	835.1	689.2
Private	-	500.0	1,000.0	1,000.0	1,000.0
Total	3,491.9	4,195.8	5,261.8	5,736.2	6,340.8

Source: Central Bank

The following table shows our medium- and long-term public external debt as of December 31, 2015:

Medium- and Long-Term Public External Debt

Creditor	Interest Rate Type	Currency	Date Issued	Maturity	Balance as of December 31, 2015 (in millions of U.S.\$)
Multilateral					
BEI.....	Variable	U.S.\$	2014	2035	16.6
CAF	Variable	U.S.\$	2003-2007	2018–2025	448.2
	Variable	U.S.\$	2008	2023–2026	255.6
	Variable	U.S.\$	2009	2021–2027	330.6
	Variable	U.S.\$	2010	2022–2028	210.3
	Variable	U.S.\$	2011	2026–2029	322.3
	Variable	U.S.\$	2012	2027–2028	240.9
	Variable	U.S.\$	2013	2025–2028	40.0
	Variable	U.S.\$	2014	2029	53.0
					1,900.8
IDB	Fixed	Euros, JPY, U.S.\$, SEK, CAD, CHF	1971– 2007	2021–2043	536.2
	Fixed, Variable	U.S.\$	2008	2037–2048	69.5
	Fixed, Variable	U.S.\$	2009	2039–2049	226.5
	Fixed, Variable	U.S.\$	2010	2040–2051	89.7
	Fixed, Variable	U.S.\$	2011	2041–2052	268.8
	Fixed, Variable	U.S.\$	2012	2041–2052	125.4
	Fixed, Variable	U.S.\$	2013	2043–2054	164.9
	Fixed, Variable	U.S.\$	2014	2043–2054	119.7
	Fixed, Variable	U.S.\$	2015	2045–2055	167.8
					1,768.5
World Bank.....	Fixed, Variable	SDR, U.S.\$	1994– 2007	2023–2041	283.4
	Fixed	SDR	2008	2042–2043	76.2
	Fixed	SDR	2009	2044	27.6
	Fixed	SDR	2011	2030–2036	117.8
	Fixed	SDR	2012	2037	22.5
	Fixed	SDR	2013	2037	8
	Fixed	SDR, U.S.\$	2014	2039	3.9
	Fixed, Variable	SDR, U.S.\$	2015	2040	195.9
					735.4
IFAD.....	Fixed	SDR	1985– 2007	2034–2046	39.1
	Fixed	SDR	2011	2049	4.2
	Fixed, Variable	Euros	2013	2033	8.5
					51.8
NDF	Fixed	Euros, SDR	1991– 2002	2031–2042	32.6
FONPLATA	Fixed, Variable	U.S.\$	2002– 2004	2016–2019	19.4
	Variable	U.S.\$	2011	2031	42.4
	Variable	U.S.\$	2014	2028–2030	29.4
					91.2
OPEC.....	Fixed	U.S.\$	1988– 2006	2021–2027	18.9
	Fixed	U.S.\$	2009	2029	13.5
	Fixed	U.S.\$	2010	2029	9.3

	Fixed	U.S.\$	2013	2033	12.3
					54.0
Total Multilateral					4,651.0
Creditor	Interest Rate Type	Currency	Date Issued	Maturity	Balance as of December 31, 2015 (in millions of U.S.\$)
Bilateral					
Argentina	Fixed	U.S.\$	2008	2018	2.6
Brazil	Fixed, Variable	U.S.\$	2001–2007	2017–2029	56.0
China.....	Fixed, Variable, Exempt	RMB	2001–2007	2020–2028	77.1
	Fixed, Variable, Exempt	RMB	2010	2026–2030	276.6
	Fixed, Exempt	RMB	2011	2031–2032	174.5
	Exempt	RMB	2012	2032	2.0
					530.2
France	Fixed	Euros	1992–1998	2017–2029	4.1
Germany	Fixed	Euros	1994–2007	2032–2046	45.6
	Fixed	Euros	2013	2053	0.2
					45.7
Italy.....	Fixed	Euros	1996	2017	1.4
	Fixed	Euros	2010	2040	0.0
					1.4
South Korea	Fixed	KRW	2001	2031	15.7
	Fixed	KRW	2010	2051	19.6
					35.3
Spain	Fixed, Exempt	U.S.\$, Euros	2003–2004	2023–2036	13.1
Venezuela	Fixed	U.S.\$	2009	2026	0.8
Total Bilateral					689.2
Private					
4.875% notes due 2022	Fixed	U.S.\$	2012	2022	500.0
	Fixed	U.S.\$	2013	2023	500.0
Total Private					1,000.0
Total					6,340.8

Source: Central Bank

IDB 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, 2015, 61.2% of our medium- and long-term public external debt had maturity terms between 11 and 30 years, while 23.1% 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, 2015:

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

Maturity	As of December 31, 2015	
	Balance	Percent of Total Balance
	(in millions of U.S.\$)	
0 to 10 years.....	1,000.0	15.8%
11 to 30 years.....	3,879.0	61.2%
More than 30 years	1,461.8	23.1%
Total	6,340.8	100.0%

Source: Central Bank

The credit terms of our medium- and long-term public external debt as of December 31, 2015 consisted of 29.4% concessional loans and 70.6% non-concessional (i.e., commercial) loans. In the economic sector, the most important loans as of December 31, 2015 were transportation loans, which totaled U.S.\$3,125.6 million, followed by multi-sector loans, which totaled U.S.\$706.9 million, basic sanitation, which totaled U.S.\$431.6 million, and institutional strengthening loans, which are intended to strengthen public sector entities by providing training to management and thereby promoting the achievement of the entity's objectives, such as anti-corruption, transparency, public finance, foreign trade, among others, which totaled U.S.\$345.9 million.

The following table shows the structure of our medium- and long-term public external debt by credit terms as of December 31, 2015:

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

	As of December 31, 2015		
	Balance	Percent of Group Balance	Percent of Total Balance
	(in millions of U.S.\$)		
Terms			
Concession			
Multilateral	1,463.4	78.5%	23.1%
Bilateral	401.1	21.5%	6.3%
Total	1,864.5	100.0%	29.4%
Non-Concession			
Multilateral	3,188.2	71.2%	50.3%
Bilateral	288.1	6.4%	4.5%
Private.....	1,000.0	22.3%	15.8%
Total	4,476.3	100.0%	70.6%
Total.....	6,340.8		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. As of December 31, 2015, 86.7% of our medium- and long-term public external debt was due in U.S. dollars and 5.6% in euros.

The following table shows the currency composition of our medium- and long-term public external debt as of December 31, 2015:

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

As of December 31, 2015				
	Total	U.S.\$ Equivalent	Exchange Rate to U.S.\$	Percent of Total
(in millions except percentages and exchange rates)				
U.S. Dollars	5,497.8	5,497.8	1.00000	86.7%
Euros	323.8	353.7	0.91567	5.6%
Renminbi	1,956.2	301.4	6.49000	4.8%
British Pound Sterling	53.8	79.7	0.67435	1.3%
Japanese Yen	8,336.8	69.1	120.59	1.1%
Other	—	38.4		0.6%
Total.....		6,340.8		100.0%

Source: Central Bank

Medium- and Long-Term Public External Debt Disbursements

Disbursements in 2015 totaled U.S.\$1,031.9 million, of which 95.4% originated from multilateral funding sources and 4.6% from bilateral sources. Disbursements from CAF increased from U.S.\$276.4 million in 2014 to U.S.\$288.4 million in 2015, disbursements from the IDB increased from U.S.\$304.8 million in 2014 to U.S.\$334.5 million in 2015, disbursements from China decreased from U.S.\$86.1 million in 2014 to U.S.\$31.6 million in 2015.

Specifically, in 2015 the Bolivian Highway Administrator received U.S.\$347.7 million, or 33.7% of total disbursements, the Ministry of Development Planning received U.S.\$343.8 million, or 33.3%, Ministry of Environment and Water received U.S.\$63.0 million, or 6.1% of total disbursements, ENDE received U.S.\$42.1 million or 4.1% of total disbursements, the Ministry of Rural Development and Earth received 31.8 million, or 3.1% and YPFB received U.S.\$19.5 million, or 1.9% of total disbursements.

Medium- and Long-Term Public External Debt Service

Our medium- and long-term public external debt service in 2015 was U.S.\$527.0 million, an increase of 43.5% as compared to U.S.\$367.2 million in 2014, representing U.S.\$374.4 million in principal repayment and U.S.\$152.6 million in interest and fees. With respect to multilateral creditors, U.S.\$194.7 million was paid to CAF and U.S.\$56.6 million to the IDB in 2015, which together represented 47.7% of our medium- and long-term public external debt service in 2015. With respect to bilateral creditors, U.S.\$126.8 million was paid to Venezuela and U.S.\$39.2 million to China in 2015, which together represented 52.7% of our medium- and long-term public external debt service in 2015.

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

	For Year Ended December 31,				
	2011	2012	2013	2014	2015
(in millions of U.S.\$)					
Multilateral					
CAF	117.9	139.2	153.0	163.3	194.7
IDB	54.2	46.9	44.5	49.4	56.6
World Bank	5.5	6.8	9.0	13.4	14.6
FONPLATA	7.4	9.6	9.1	8.2	8.8
IFAD	2.3	2.2	2.2	2.2	2.0
NDF	1.2	1.2	1.3	1.3	1.1
BEL	-	-	-	0.1	0.2
OPEC	2.4	2.3	2.8	3.9	4.7
Total Multilateral.....	190.9	208.2	221.9	241.77	283.4
Bilateral					
Argentina	0.9	1.1	1.0	1.0	1.2

Brazil	18.1	15.0	14.6	16.4	16.3
China	5.1	7.6	10.9	15.6	39.2
France	1.4	1.3	1.3	1.3	0.9
Germany	0.5	0.7	1.0	1.2	2.0
Italy	1.3	1.1	1.2	1.2	1.0
South Korea	1.0	1.6	1.6	1.6	1.5
Spain	0.1	0.7	0.7	0.7	0.6
Venezuela	12.5	268.5	7.1	32.4	126.8
Total Bilateral.....	40.9	297.5	39.4	71.5	189.4
Private					
Total Private	-	-	24.4	54.1	54.1
Total.....	231.8	505.7	285.7	367.2	527.0

Source: Central Bank

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

With an average balance of U.S.\$6,038.2 million and interest expenses of U.S.\$152.6 million in 2015, the financial cost of our medium- and long-term public external debt was 2.53% in 2015. As of December 31, 2015, 50.2% of our medium- and long-term public external debt had fixed interest rates, 49.5% 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 year ended December 31, 2015:

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

	For Year Ended December 31, 2015		
	Average Balance)	Interest Paid	Average Interest Rate
	(in millions of U.S.\$		(%)
Multilateral			
CAF	1,836.55	34.88	1.90
IDB	1,613.45	35.25	2.18
World Bank	616.96	4.11	0.67
FONPLATA	72.73	2.53	3.48
IFAD	50.03	0.38	0.76
NDF	34.17	0.24	0.70
EIB	8.32	0.24	
OPEC	43.84	1.22	2.78
Total	4,276.04	78.85	1.84
Bilateral			
Argentina	3.15	0.12	3.81
Brazil	63.45	1.38	2.17
China	532.94	14.74	2.76
France	4.75	0.04	0.82
Germany	48.80	0.48	0.97
Italy	1.96	0.03	1.58
South Korea	30.48	0.43	1.42
Spain	13.61	0.05	0.40
Venezuela	63.02	2.33	3.70
Total	762.16	19.6	2.57
Private	1,000.0	54.12	5.41
Total	6,038.20	152.57	2.53

Source: Central Bank

Medium- and Long-Term Public External Debt Indicators

As a result of GDP growth, and growth in exports and reserves, our medium- and long-term external debt ratios have generally improved since 2006. We consider the following ratios to be the most important in analyzing debt sustainability: 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, 2015, our medium- and long-term external debt service-to-exports ratio was 5.6%, an increase from 2.7% as of December 31, 2014, our balance of medium- and long-term external debt-to-exports ratio was 66.9%, an increase from 42.4% as of December 31, 2014, and our balance of medium- and long-term external debt to GDP ratio was 19.0%, an increase from 17.3% as of December 31, 2014.

Our net international reserves to public external debt ratio decreased from 3.3 as of December 31, 2012 to 2.7 as of December 31, 2013, to 2.6 as of December 31, 2014 and to 2.1 as of December 31, 2015. Our net international reserves to public external debt service ratio decreased from 41.2 as of December 31, 2014, to 32.3 as of December 31, 2015.

Since 2006 our external debt indicators have remained at levels that we consider adequate to confirm the sustainability of our external debt, and which are below the reference limits set by international financial institutions such as the IMF and the World Bank.

The following table shows medium- and long-term external debt indicators as of the five years ended December 31, 2015:

Medium- and Long-Term Public External Debt Indicators

	As of December 31,				
	2011	2012	2013 ^(p)	2014 ^(p)	2015 ^(p)
Medium- and Long-Term Public External Debt Service/Exports	2.5%	4.1%	2.3%	2.7%	5.6%
Medium- and Long-Term Public External Debt/Exports	37.8%	34.2%	41.1%	42.4%	66.9%
Medium- and Long-Term Public External Debt/GDP	14.5%	15.4%	17.0%	17.3%	19.0%
Medium- and Long-Term Public External Debt Service/GDP	1.0%	1.9%	1.0%	1.1%	1.6%
Gross Reserves/Medium- and Long-Term Public External Debt Service	51.8	27.5	50.5	41.2	24.8
Net International Reserves/ Medium- and Long-Term Public External Debt	3.4	3.3	2.7	2.6	2.1

Source: Central Bank

(p) Preliminary.

DESCRIPTION OF THE NOTES

Bolivia will issue the Notes under an indenture (the “Indenture”), dated as of March 20, 2017, between Bolivia, The Bank of New York Mellon as trustee (the “Trustee”), as paying agent (the “Paying Agent”), as transfer agent (“Transfer Agent”) and as registrar (the “Registrar”), and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg paying agent (the “Luxembourg Paying Agent” and together with the Paying Agent the “Paying Agents”), as Luxembourg transfer agent (the “Luxembourg Transfer Agent” and together with the Transfer Agent the “Transfer Agents”). The information contained in this section summarizes some of the terms of the Notes and the Indenture. Because this is a summary, it does not contain all of the information that may be important to you as a potential investor in the Notes. Therefore, 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 March 20, 2017, in an initial aggregate principal amount of U.S.\$1,000,000,000;
- pay principal in three installments: 33.33% of the original principal amount on March 20, 2026, 33.33% of the original principal amount on March 20, 2027 and the remaining outstanding principal balance on March 20, 2028.
- bear interest at 4.500% per year, accruing from March 20, 2017;
- pay interest in U.S. dollars on March 20 and September 20 of each year. The first interest payment will be made on September 20, 2017. 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 March 18 or September 18, as the case may be, preceding each payment date (whether or not a business day);
- constitute direct, general, unconditional, unsecured and unsubordinated external indebtedness of Bolivia backed by the full faith and credit of Bolivia as authorized by Article 13 of Law No. 856 (*Ley del Presupuesto General del Estado—Gestión 2017*) dated November 28, 2016 pursuant to Subparagraphs 8 and 10 of Paragraph 1 of Article 158 of the Bolivian Political Constitution in relation to its Article 322;
- be equal in right of payment among themselves and with all of Bolivia’s present and future unsecured and unsubordinated Public External Indebtedness (as defined below) (it being understood that this provision shall not be construed so as to require Bolivia to make payments under the Notes ratably with payments being made under any other Public External Indebtedness);
- 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 direct and indirect participants, including the depositaries for Euroclear Bank S.A./N.V., as operator of the Euroclear System plc (“Euroclear”), and Clearstream Banking S.A.(“Clearstream”);
- be available in certificated form only under certain limited circumstances;
- be redeemable at the option of Bolivia before maturity (see “—Optional Redemption”);
- not be entitled to the benefit of any sinking fund; and

- contain “collective action clauses” under which Bolivia may amend or obtain waivers of the payment provisions of the Notes and certain other terms with consent of less than all of the holders of the Notes.

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 in excess thereof.

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. None of Bolivia, the Trustee nor any 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 register maintained by the Registrar on the applicable record date.

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 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, Luxembourg Transfer Agent and Luxembourg Listing Agent.

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

Additional Amounts

Bolivia will make all principal and interest payments on the Notes without deducting or withholding any present or future taxes, duties, assessments, or other governmental charges of whatsoever nature imposed or levied by or on behalf of Bolivia or any political subdivision or taxing authority thereof or therein having power to tax, 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 (“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 that is imposed due to any of the following:

- the holder or beneficial owner has some present or former connection with Bolivia other than merely holding the Notes or receiving principal, interest or any other 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 (i) compliance is required by Bolivia as a precondition to exemption from the deduction, and (ii) at least 30 days prior to the first scheduled payment date for which compliance will be required, Bolivia has notified the holder in writing that such holder or beneficial owner must comply with such certification, identification or other reporting requirement to receive Additional Amounts; or
- the holder does not present (where presentment is required) its Notes for payment within 30 days after the Relevant Date except to the extent that the holder of the Notes would have been entitled to Additional Amounts on presenting the Notes for payment on the last day of such 30 day period.

As used in the preceding paragraph, “Relevant Date” in respect of any Note means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee on or prior to such due date) the date on which notice is duly given to the holders in the manner described under “—Notices” that such monies have been so received and are available for payment. For purposes of this section, any reference to “principal” and/or “interest” shall be deemed to include any Additional Amounts which may be payable hereunder.

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; and
- 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; or
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 declaration 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 receive 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 waivers of 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.

Collective Action Clauses

The Notes contain provisions regarding acceleration and voting on amendments, modifications and waivers that differ from the provisions governing the series of debt securities issued by Bolivia prior to March 20, 2017. These provisions are commonly referred to as “collective action clauses.” Under these provisions, Bolivia may amend certain key terms of the Notes, including the maturity date, amounts payable and other payment terms, with the consent of fewer than all the holders of Notes of the relevant series. These collective action clauses are described below.

Meetings, Amendments and Waivers — Collective Action

Bolivia may call a meeting of the holders of Notes at any time to consider any matter regarding the Indenture or the Notes. Bolivia will determine the time and place of the meeting and will notify the holders and the Trustee of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.

In addition, Bolivia or the Trustee will call a meeting of holders of Notes if the holders of at least 10% in principal amount of all Notes then outstanding have delivered a written request to Bolivia (with a copy to the Trustee) or the Trustee (with a copy to Bolivia) setting out the purpose of the meeting. Within 10 days of receipt of such written request or copy thereof, Bolivia will notify the Trustee and the Trustee will notify the holders of the time, place and purpose of the meeting called by the holders, to take place not less than 30 and not more than 60 days after the date on which such notification is given.

Only holders and their proxies are entitled to vote at a meeting of holders. Bolivia will set the procedures governing the conduct of the meeting and if additional procedures are required, Bolivia will consult with the Trustee to establish such procedures as are customary in the market.

Modifications may also be approved by holders of Notes pursuant to written action with the consent of the requisite percentage of Notes. Bolivia will solicit the consent of the relevant holders to the modification not less than ten and not more than 30 days before the expiration date for the receipt of such consents as specified by Bolivia.

The holders may generally approve any proposal by Bolivia to modify the Indenture or the terms of the Notes with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the outstanding principal amount of the Notes.

However, holders may approve, by vote or consent through one of three modification methods, any proposed modification by Bolivia that would do any of the following (such subjects referred to as “reserved matters”):

- change the date on which any amount is payable on the Notes;
- reduce the principal amount (other than in accordance with the express terms of the Notes and the Indenture) of the Notes;
- reduce the interest rate applicable to the Notes;
- change the method used to calculate any amount payable on the Notes (other than in accordance with the express terms of the Notes and the Indenture);
- change the currency or place of payment of any amount payable on the Notes;
- modify Bolivia’s obligation to make any payments on the Notes (including any redemption price therefor);
- change the identity of the obligor under the Notes;

- change the definition of “outstanding debt securities” or the percentage of affirmative votes or written consents, as the case may be, required to make a “reserved matter modification”;
- change the definition of “uniformly applicable” or “reserved matter modification”;
- authorize the Trustee, on behalf of all holders of the Notes, to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of Bolivia issued pursuant to applicable law or of any other person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the Notes.

A change to a reserved matter, including the payment terms of the Notes, can be made without your consent, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

- the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of a series affected by the proposed modification (but does not modify the terms of any other series of debt securities issued under the Indenture);
- where such proposed modification would affect the outstanding debt securities of two or more series, the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of all the series affected by the proposed modification, taken in the aggregate, if certain “uniformly applicable” requirements are met; or
- where such proposed modification would affect the outstanding debt securities of two or more series, whether or not the “uniformly applicable” requirements are met, the holders of more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all the series affected by the proposed modification, taken in the aggregate, and the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the modification, taken individually.

“Uniformly applicable,” as referred to above, means a modification by which holders of debt securities of any series affected by that modification are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be uniformly applicable if each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

Bolivia may select, in its discretion, any modification method for a reserved matter modification in accordance with the Indenture and designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation. If any one or series of debt securities under the Indenture that seeks holder approval pursuant to a single aggregated vote, that modification will be uniformly applicable (as described above) to all such series, regardless of when they were issued.

For so long as any series of debt securities issued under the indenture, dated as of October 29, 2012, among Bolivia, The Bank of New York Mellon, as trustee, principal paying agent, transfer agent and registrar, and The Bank of New York Mellon (Luxembourg), S.A., as Luxembourg paying agent, Luxembourg transfer agent and Luxembourg listing agent (the “2012 Indenture”) (the securities issued under the 2012 Indenture, “2012 Indenture debt securities”) is outstanding, if Bolivia certifies to the Trustee under the Indenture and to the trustee under the 2012 Indenture that a cross-series modification under the Indenture is being sought simultaneously with a “2012 Indenture

reserve matter modification”, the 2012 Indenture debt securities affected by such 2012 Indenture reserve matter modification shall be treated as “series affected by that proposed modification” as that phrase is used in the Indenture (as described in the preceding paragraphs); provided, however, that if Bolivia seeks a cross-series modification with single aggregated voting, the holders of any series of 2012 Indenture debt securities affected by the 2012 Indenture reserve matter modification must have been invited to exchange, convert or substitute such 2012 Indenture debt securities for either (x) the same new instruments or other consideration as the holders of debt securities of each affected series of debt securities for which consent to the cross-series modification is sought or (y) new instruments or other consideration from an identical menu of instruments or other consideration as the holders of debt securities of each affected series of debt securities for which consent to the cross-series modification is sought.

It is Bolivia’s intention that in such circumstances, the votes of the holders of the affected 2012 Indenture debt securities be counted for purposes of the voting thresholds specified in the Indenture for the applicable cross-series modification as if those 2012 Indenture debt securities had been affected by that cross-series modification although the effectiveness of any modification as it relates to the 2012 Indenture debt securities, shall be governed exclusively by the terms and conditions of those 2012 Indenture debt securities and by the 2012 Indenture; provided that no such cross series modification shall be effective unless such modification shall have also been effective with respect to the holders of the 2012 Indenture debt securities under the 2012 Indenture.

“2012 Indenture reserve matter modification,” as referred to above, means any modification to the terms and conditions of one or more series of the 2012 Indenture debt securities, pursuant to the 2012 Indenture.

“Cross-series modification with single aggregated voting” means a cross series modification that is uniformly applicable and is made in accordance with Section 11.5 of the Indenture.

“Cross-series modification” means a reserve matter modification to the terms of the debt securities of two or more series or to the Indenture insofar as it affects the debt securities of two or more series.

Before soliciting any consent or vote of any holder of debt securities for any change to a reserved matter, Bolivia will provide the following information to the Trustee for distribution to the holders of debt securities of any series issued pursuant to the Indenture that would be affected by the proposed modification:

- a description of Bolivia’s economic and financial circumstances that are in Bolivia’s opinion relevant to the request for the proposed modification, a description of Bolivia’s existing debts and description of its broad policy reform program and provisional macroeconomic outlook;
- if Bolivia shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the multilateral or other creditors, as applicable, a copy of the arrangement or agreement;
- a description of Bolivia’s proposed treatment of external debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and
- if Bolivia is then seeking any reserved matter modification affecting any other series of debt securities, a description of that proposed modification.

For purposes of determining whether the required percentage of holders of the debt securities of a series has approved any amendment, modification or change to, or waiver of, the debt securities or the Indenture, or whether the required percentage of holders has delivered a notice of acceleration of the debt securities of that series, debt securities held by Bolivia or any public sector instrumentality will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification, if on the record date for the proposed modification or other action or instruction under the Indenture, the debt security is held by Bolivia or by a public sector instrumentality, except that (x) debt securities held by Bolivia or any public sector instrumentality which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee’s right so to act with respect to such debt securities and that the pledgee is not Bolivia or a public sector instrumentality, and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the Trustee in accordance with such advice and any

certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the Trustee, upon the certificate, statement or opinion of or representations by the Trustee; and (y) in determining whether the Trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities with respect to which a responsible officer of the Trustee has received written notice that such debt securities are so owned or controlled will be so disregarded.

As used in the preceding paragraph, “public sector instrumentality” means Banco Central de Bolivia, 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, by contract 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 that legal entity.

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

- adding to Bolivia’s covenants for the benefit of the holders;
- surrendering any right or power conferred upon Bolivia with respect to the Notes;
- securing the Notes;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the Notes or the Indenture;
- amending the Notes or the Indenture in any manner which Bolivia and the Trustee may determine and which does not materially adversely affect the interests of any holders of Notes; or
- correcting a manifest error of a formal, minor or technical nature.

Notices

Bolivia will mail any notices to the holders of the certificated 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. Notices to holders of Notes in global form will be given to DTC in accordance with its applicable procedures. Bolivia will consider a notice to be given at the time it is given in accordance with the foregoing. 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 30 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 unless Bolivia defaults in the payment of the redemption price. 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, J.P. Morgan Securities LLC 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 the same CUSIP number or other identifying number as the Notes unless such additional notes are fungible with the Notes for U.S. federal income tax purposes.

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 and the Regulation for the Registration, Registration Control and Certification of the Bolivian State Assets, approved by the National Service of Patrimony of the State (“SENAPE”), 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. See “Transfer Restrictions.”

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 Trustee 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 Note may be exchanged for beneficial interests in a Rule 144A Global Note 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 transferor 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 same-day 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 depository. 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 depository 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 same-day funds settlement applicable to DTC. Euroclear accountholders and Clearstream participants may not deliver instructions directly to the depositories 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. None of Bolivia, the Trustee or any of their respective agents will 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 U.S. federal and Bolivian income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of U.S. 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. 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.

Certain U.S. Federal Income Tax Considerations

The following are certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of Notes purchased in this offering at the “issue price,” which we assume will be the price indicated on the cover of this Offering Memorandum, and held as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax considerations that may be relevant to you in light of your particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, as well as differing tax consequences that may apply if you are, for instance:

- a financial institution;
- a regulated investment company;
- a dealer or trader in securities that uses a mark-to-market method of tax accounting;
- holding Notes as part of a “straddle” or integrated transaction;
- a person whose functional currency is not the U.S. dollar;
- a tax-exempt entity; or
- a partnership for U.S. federal income tax purposes.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners generally will depend on the status of the partners and your activities.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this Offering Memorandum may affect the tax consequences described herein. This summary does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. You should consult your tax advisor with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a Note and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Interest

The amount of interest (including any amounts withheld and any Additional Amounts paid with respect thereto) on a Note will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the Notes will be issued without original issue discount for U.S. federal income tax purposes. If, however, a Note's principal amount exceeds its issue price by an amount that equals or exceeds $\frac{1}{4}$ of one percent of the principal amount multiplied by the number of complete years to maturity, you will be required to include the excess in income as original issue discount, as it accrues, in accordance with a constant-yield method based on a compounding of interest before the receipt of cash payments attributable to this income.

Interest income earned with respect to a Note will constitute foreign-source income, which could be relevant to you in calculating your foreign tax credit limitation. The rules governing foreign tax credits are complex, and you should consult your tax advisor regarding the availability of foreign tax credits in your particular circumstances.

Sale or Other Taxable Disposition of the Notes

Upon the sale or other taxable disposition of a Note, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your tax basis in the Note. Your tax basis in a Note generally will equal the cost of your Note. Gain or loss, if any, generally will be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as described under "Interest" above.

Gain or loss realized on the sale or other taxable disposition of a Note generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale or other taxable disposition the Note has been held for more than one year. Long-term capital gains recognized by non-corporate taxpayers are subject to favorable tax rates. The deductibility of capital losses is subject to limitations.

Information with respect to foreign financial assets

U.S. Holders who are individuals (or certain entities closely-held by individuals) that own "specified foreign financial assets" with an aggregate value in excess of certain thresholds are generally required to file information reports with respect to such assets with their tax returns. Specified foreign financial assets include accounts maintained by non-U.S. financial institutions, as well as debt securities of non-U.S. issuers not held through accounts maintained by financial institutions. U.S. Holders should consult their tax advisors regarding the relevance of these rules to their ownership of the Notes.

Backup Withholding and Information Reporting

Information returns generally will be required to be filed with the Internal Revenue Service in connection with payments on the Notes and proceeds received from a sale or other disposition of the Notes that are made within the United States or through certain U.S.-related financial institutions, unless you are an exempt recipient. You may also be subject to backup withholding on these payments in respect of your Notes unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

Certain Bolivian Tax Considerations

Interest income on the Notes is exempt from Bolivian tax on company profits. No Bolivian withholding tax applies to payments of principal or interest to 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
J.P. Morgan Securities LLC.....	U.S.\$500,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	U.S.\$500,000,000
Total.....	U.S.\$1,000,000,000

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.

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 during a period of 90 days following the date of this Offering Memorandum, Bolivia will not, without first obtaining the prior written consent of the Initial Purchasers, directly or indirectly, issue, sell, offer, 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

of Bolivia, 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 traded 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. If any of the Initial Purchasers or their affiliates has a lending relationship with us, certain of those Initial Purchasers or their affiliates routinely hedge, and certain other of those Initial Purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Initial Purchasers 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 offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. 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 (each, a “Member State”), no offer of Notes which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives of the Initial Purchasers 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 referred to in (a) to (c) above shall result in a requirement for Bolivia 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.

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Member State of Notes which are the subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for Bolivia or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither Bolivia nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for Bolivia or the Initial Purchasers to publish a prospectus for such offer.

For the purposes of this provision, the expression “an offer of notes to the public” in relation to any Notes in any 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 that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended) and includes any relevant implementing measure each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Hong Kong

This Offering Memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Notes will not be offered or sold in Hong Kong other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (winding up and Miscellaneous provisions) (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to securities which are or are intended to be disposed of only to persons outside of Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

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 offering may not be circulated or distributed, nor may the Notes be offered, 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) (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 for 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, then securities, debentures and units of securities and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes under Section 275 except: (i) 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; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

Japan

The Notes offered in this Offering Memorandum have not been registered under the Securities and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the

registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

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 International Financial Centre

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.

Colombia

The Notes will not be registered in Colombia on the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the SFC and, accordingly, they may not be offered to persons in Colombia except pursuant to a public offering pursuant to Section 6.11.1.1.1 of Decree 2555 of 2010, as amended, or an exemption therefrom under Colombian law.

Chile

The offer of the Notes will begin on March 13, 2017 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the “SVS”). The Notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the Notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 13 de marzo del 2017 y está acogida a la Norma de Carácter General número 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la “SVS”). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Peru

The Notes and the information contained in this Offering Memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the issuer or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this Offering Memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian

Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*) or the SMV, nor to the Lima Stock Exchange (Bolsa de Valores de Lima) or BVL and the Notes have not been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein. The Notes may not be offered or sold in the Republic of Peru except in compliance with the securities law thereof.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (**NI 33-105**), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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 NOTES 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 Davis Polk & Wardwell 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, Davis Polk & Wardwell 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.

OFFICIAL STATEMENTS

Information in this Offering Memorandum whose source is identified as a publication of Bolivia or one of its agencies or instrumentalities relies on the authority of such publication as a public official document of Bolivia. All other information and statements set forth herein relating to Bolivia are included as public official statements made on the authority of Bolivia.

GENERAL INFORMATION

1. The issuance of the Notes has been authorized by Article 13 of Law No. 856 (*Ley del Presupuesto General del Estado—Gestión 2017*) dated November 28, 2016 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
US29731QAC15	29731Q AC1	158305844	USP37878AC26	P37878 AC2	158305852

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, 2015 which is material in the context of the issue of the Notes.
5. We have applied 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, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon
101 Barclay Street, Floor 7 East
New York, NY 10286
United States of America

**LUXEMBOURG PAYING AGENT, LUXEMBOURG TRANSFER AGENT AND
LUXEMBOURG LISTING AGENT**

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Vertigo Building—Polaris
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INITIAL PURCHASERS

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LEGAL ADVISORS TO THE ESTADO PLURINACIONAL DE BOLIVIA

As to U.S. Law

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As to Bolivian Law

Bufete Aguirre Soc. Civ.
Av. José Salmón Ballivián (Los Alamos) No. 322, La
Florida
Casilla 994
La Paz, Bolivia

U.S.\$1,000,000,000
ESTADO PLURINACIONAL DE BOLIVIA
4.500% Notes Due



Offering Memorandum

Joint Lead Managers

BofA Merrill Lynch

J.P. Morgan

March 22, 2017