



BOLIVIA

MARKET PROFILE

2018

32years

DOING **BUSINESS** IN BOLIVIA

1. INTRODUCTION

1.1. GENERAL INFORMATION

The Plurinational State of Bolivia was founded as the Republic of Bolivia on 6 August 1825. It lies at the heart of South America and has a total surface area of 1,098,581 square kilometers, equivalent to six times the size of the US state of Washington or the countries of France and Spain put together. Bolivia is landlocked, bordered to the North and East by Brazil, to the West by Peru and Chile, and to the South and East by Argentina and Paraguay.

Departmental Organization

Bolivia has nine autonomous administrative departments. These are, Santa Cruz, La Paz, Cochabamba, Chuquisaca, Oruro, Tarija, Potosi, Beni y Pando, which are divided into 112 provinces and sub-provinces. In addition, there are 339 municipal districts for local government purposes.

Capital Cities

The constitutional capital is Sucre, in the Chuquisaca department, and hosts the Supreme Court and other judicial bodies. The Legislative Assembly and the seat of Government are located in La Paz, the administrative capital.

Population

At the time of the last census in November 2012 Bolivia's total population was just under 10.4 m following average annual population growth of 2.3% during the previous decade. Official growth projections show the population grew to almost 11,2 m by the end of 2017.

The urban population is growing much faster than the national average rate owing to migration from rural areas, with over two-thirds of the population now estimated to live in urban areas. Bolivia's poverty rate has also declined markedly in recent years as a result of rising real incomes and benefit payments to vulnerable members of society.

1. INTRODUCTION

Climate

Despite lying just South of the Equator, Bolivia enjoys a variety of climates, with temperatures that range from below 0 degrees centigrade up to 48 degrees, due in part to the wide range of altitudes encountered, from lowland plains in the east and north to Bolivia's highest peak, Sajama, at 6,542 meters (21,464 feet) near the border with Chile. This climatic diversity creates distinct ecological regions, from tropical forests to steep-sided upland valleys and high-altitude plains and mountains, allowing a very broad range of agricultural crops to be grown.

Languages

Spanish is the most commonly spoken language with nearly 90% of the population able to communicate well in Spanish. Many people also speak an indigenous language as their mother tongue, the most common being Quechua (in the inter-Andean valleys), and Aymara (on the Altiplano). English is widely spoken and understood in the business community, and young people are increasingly studying English as their second language of choice.

Education

Education is compulsory up to the age of 16 and is provided free by the State up to university level. A wide range of fee-paying private educational establishments and universities co-exist alongside the state system. Progress has been made to reduce illiteracy rates in recent years and school attendance has improved owing to educational reforms that began in 1996, and since 2006 with the payment of a school attendance bonus.

Religion

There is no official State religion. The State recognizes and guarantees the freedom of worship and the right to hold a religious belief. At least 23 different religious faiths are represented in Bolivia.

Business hours

In the private sector, office hours are usually 08:30 to 12:00-13:00 and 14:30 to 18:00 -18:30 Monday to Friday. The public sector keeps similar hours. Some public and private-sector offices, such as banks, remain open throughout the day and do not close for lunch.

National Holidays in Bolivia, 2018	
New Year's Day	January 1st
Plurinational State Day	January 22nd
Carnival	February 12th & 13th
Good Friday	March 30th
Labour Day	May 1st
Corpus Christi	May 31st
Andean New Year	June 21st
Independence	August 6th
All Souls' Day	November 2nd
Christmas Day	December 25th

1. INTRODUCTION

1.2. POLITICAL – ADMINISTRATIVE ORGANISATION

The President and Vice-President are elected by compulsory universal suffrage and serve a five-year term. The most recent General Elections were held on 22 October 2014 and the current President, Evo Morales Ayma, and Vice-President, Alvaro García Linera, took office for a third term on 22 January 2015. The cabinet is appointed by the president. The next presidential and legislative election is due in October 2019.

The Plurinational Legislative Assembly is comprised of two chambers consisting of the Senate (36 members, 4 per regional department) and a Chamber of Deputies (130, half of whom are directly elected). The legislative electoral cycle runs concurrently with the presidential term.

1.3. TRANSPORT AND COMMUNICATIONS

Road - The road network covers an estimated 89,750 km, the majority of which is unsealed road with only around 12% of roads being paved. The main trunk routes between the principle cities accounts for around 16,000 km of the total and around half of this network is paved. The road network is a public investment priority and is being supported by the Inter- American Development Bank and the Development Bank of Latin America (CAF). The links between cities and to neighboring countries

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are constantly under improvement as a result. The government has set a target to pave all major trunk routes between productive centers by 2025.

Rail - The railroad system, which was partially privatized in 1995, covers an estimated 3,500 km and consists of two separate networks: Red Andina, which covers the western highlands and connects with Chile, Peru and Argentina; and Red Oriental, in the eastern lowlands, with rail connections south to Argentina and east to Brazil. The railroad is primarily used for transporting freight (minerals and agricultural products). The government is engaged in an ambitious project with neighboring countries to build an East - West rail corridor connecting Brazil and Paraguay in the East to the Pacific coast of Peru in the West. If the project proves feasible it would open up an important new transcontinental trade route and realize Bolivia's long-held ambition to link the Andean and Oriental rail networks.

Air Transport – Bolivia's domestic air routes are served by one main airline, the state-owned Boliviana de Aviación (BOA), and two airlines operating small aircraft, Transporte Aéreo Militar (TAM), the Bolivian military's civilian air service, and a private airline, Amazonas. Regular scheduled flights operate to all major urban centers and BOA flies to an expanding range of international destinations. A range of other international airlines operate flights to and from Bolivia, including: American Airlines, with daily flights to Miami; LAN, Avianca (Colombia), TAM (Brazil), TACA (Central America), Sky (Chile) and Air Europa (Spain).

Ports – Owing to its landlocked status Bolivia has no sovereign sea ports, but has instead established free port privileges at maritime ports in Argentina, Brazil, Chile, Peru and Paraguay. The principle ports of entry and exit are Arica and Iquique in Chile and Puerto Aguirre, an inland riverine port on the Paraguay/Parana waterway at the Bolivia/Brazil border.

Bolivia benefits from modern and competitive telecoms in all main urban centers. The telecoms sector has been deregulated since 2001 with operating licenses granted to private companies and the market is open to competition. Licenses have underpinned investment to modernize telecoms infrastructure. The dominant international and long distance telecom provider is state-owned Entel. Other major providers of cellular telephony and data transmission include AXS, Nuevatel (operating the Viva brand) and Millicom (operating the Tigo brand). The launch and commissioning of Bolivia's first telecommunications satellite in 2014 helped to reduce the cost of broadband Internet access and will aid an expansion of the rural telecommunications footprint.

2. ECONOMIC OUTLOOK

Bolivia is ranked as a lower middle-income economy by the World Bank. It has had a pattern of dependence on a single-commodity historically, ranging from silver and tin to rubber and more recently natural gas. While public and private sector initiatives continue to aid the diversification of Bolivia's economy, the extraction of natural gas to supply Brazil and Argentina and developments in the mining sector, particularly for silver, zinc and tin, means commodities still dominate the export economy. In tandem with a period of above average prices for Bolivia's main commodities in 2007-14, gross domestic product (GDP) growth averaged 5.4% per year in the five year period 2011-2015. The overall size of Bolivia's economy has grown as a result by over two-thirds over the period to an estimated GDP of US\$35.7 billion in 2015. In terms of purchasing power per person, Bolivia's GDP has risen by around 30% since the start of the decade to an estimated US\$6,700 per head in 2015. This resulted in a significant reduction in poverty indicators and a marked expansion in personal discretionary spending, significantly raising Bolivia's potential as a market for products and services.

Currency stability is a policy priority

The currency unit is the Boliviano. Bs1=100 centavos. In a bid to combat inflation, government policy since 2011 has been to hold the Boliviano at a fixed exchange rate to the US Dollar, supported by high levels of foreign reserves. The annual average exchange rate stood at Bs6.96:US\$1 in 2017. A managed depreciation of the exchange rate to offset US dollar strength and maintain export competitiveness has been ruled out by the authorities. As a result of this currency fix the value of the boliviano in real trade-weighted terms will appreciate further in 2017.

Economic growth stays firm

Bolivia's economy has recovered firmly from the global downturn in 2009, with growth reaching a peak 6.8% expansion in 2013. In line with regional trends, growth eased to a still firm 4.8% in 2015 and to an estimated 3.7% in 2016, according to the IMF. Despite the slowdown, Bolivia still has one of the fastest growing economies in Latin America. This strong performance is supported by rising private consumption and increased public investment and spending. Firm tax revenue growth from general taxes and, until recently, a commodities price bonanza, has provided significant impetus to public spending on infrastructure and social programs and kept economic growth above its long-term average. Private investment improved after the credit squeeze brought on by global financial shocks in 2008-2009, but a commodities price downturn since 2014 has undermined fixed investment growth.

2. ECONOMIC OUTLOOK

Investment still grew by 4.6% in 2015, a slowdown from an average of 11.1% in 2010-14.

Between January and November of 2017, the value of Bolivian exports was of 7,281 million dollars, 9 percent more than the same period of 2016.

Consumer prices are under control

Consumer price increases have been kept under control since 2009. Domestic food supply problems can occur associated with adverse weather conditions, but prudent action by the Bolivian authorities with controls on exports of staple foods and import subsidy interventions have kept inflationary pressures at bay. Average annual inflation of 4.7% was recorded in 2012-16, down from an average of 7.7% in 2007-11. Monetary policy management, a strong currency that keeps imported inflation in check, and the government's ability to control some food prices will all help to keep inflation stable in 2017.

Investment is being blunted by weak commodities prices

Foreign and domestic private investment are focused on agriculture, hydrocarbons, mining and metal refining and manufacturing of food and beverage products. Foreign direct investment (FDI) inflows to Bolivia recovered steadily in the aftermath of the global financial crisis in 2009. Net direct investment inflows rose to a peak in 2013 at 5.7% of GDP. A period of markedly lower commodities prices since 2014 have acted as a brake on investment in Bolivia's key extractive industries for mining, oil and gas. As a result, net FDI eased back to 1.5% of GDP in 2015.

A strong fiscal performance

Bolivia enjoyed an 11-year period of large trade surpluses in 2004-2014 which in turn led to wide surpluses on the current account of the balance of payments and the steady accumulation of net international reserves. Large amounts of international reserves are now held by the Central Bank and financing difficulties are unlikely to emerge. In 2005-14, the public sector benefited from windfall earnings from increased natural gas exports and higher prices. Increased taxation of oil and gas production after changes to the country's hydrocarbons tax regime in 2005 and nationalizations in 2006 had underpinned government earnings. This led to a sharp improvement in the fiscal balance with an unprecedented eight consecutive years of fiscal surpluses, with an average 1.8% of GDP surplus in 2006-13. The strong fiscal position was also driven by a boom in minerals output as investments in major mining projects reached maturity with major additional

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mining capacity coming on stream. A decline in commodities prices, particularly for oil and natural gas since mid 2014 has undermined fiscal revenue growth from extractive industries. Until prices for commodities recover, fiscal earnings will rely more heavily on domestic tax collection.

Government spending is being bolstered by plans to fortify public investment in productive areas, particularly electricity generation, petrochemicals and oil and gas. Bolivia returned to the international bond market in 2012-2013, for the first time since the 1920s, placing two US\$500m of ten-year debt in order to lock-in cyclically low interest rates and boost public investment spending. These counter-cyclical measures are driving up the fiscal deficit and will erode reserve levels, but Bolivia will avoid the worst of the commodities downturn. The country's ability to borrow both commercially and from multilateral lenders at reasonable rates will continue to provide ample financing for public investment.

The commitment of the Banco Central de Bolivia (the Central Bank) to a firm currency is protecting savings held in bolivianos and has raised confidence in the currency and the banking system, encouraging the holding of bank deposits in local currency. Monetary policy has succeeded in enabling commercial banks to increase lending while maintaining price stability. A new Financial Services Law passed in 2013 enabled the government to more closely control banking activities, and in particular the setting of interest rates and lending priorities. This has acted to significantly expand lending to different productive sectors and boosted consumer demand, both of which are having a beneficial effect on employment creation and economic growth.

3. KEY SECTORS

Oil and Gas

Oil and gas extraction and refining contribute significantly to Bolivia's GDP and oil and gas products accounted for 35% of the country's total export earnings in 2017. The hydrocarbons sector is also the largest single contributor to tax revenues, partly reflecting steadily increasing production of natural gas for export with an increase of 12 percent with respect to the previous management. Despite the sharp decline in oil and gas prices since the second half of 2014, the hydrocarbons sector will continue to remain Bolivia's most important income generator. Public investment in state-owned oil assets and in adding value to gas production through the development of a petrochemicals industry will drive sector growth and opportunities for investors and suppliers.

An independent oil and gas reserves certification process is carried out every two years. The latest data gathered at the end of 2013 show proven natural gas reserves stood at 10.5 trillion cubic feet (tcf), sufficient to meet projections for domestic and export demand until 2025. Proven oil reserves of 211 million barrels were also estimated. The state-owned oil company YPFB calculates that a further 7.7tcf of gas reserves exist in the probable and possible categories. If these eventually become proven reserves after further exploration it would add considerably to existing proven reserves. Investment in the sector has gathered pace since 2010 and levels of reserves are expected to rise and be sufficient to meet all of Bolivia's domestic and export commitments to Brazil and Argentina for at least the next twenty years. Bolivia also has extensive oil and gas deposits that have yet to be tested for commercial viability. In order to boost reserves and secure future output the government is engaged in a major effort to increase public and private exploration investment with state-oil company YPFB taking a lead role.

Opportunities to invest in developing new natural gas and oil based businesses are plentiful. Large-scale investments are also needed in the development of industrial projects using gas as a raw material to produce plastics, fertilizers and for metal refining and to expand refinery capacity and extract liquid fuels from gas. The government is studying the development of two petrochemical plants (to produce ethylene and polyethylene). Equipment suppliers will have opportunities to supply all of the sector's diverse activities in exploration, production, transport and storage, refining and distribution. Government spending on the sector through state-oil YPFB is being stepped up significantly and official estimates indicate the intention to invest US\$2 billion annually over the next several years, making hydrocarbons Bolivia's most dynamic investment sector and a net exporter of oil and related products. Major foreign investors in the oil and gas sector include, Petróleo Brasileiro (Petrobras, Brazil's state-controlled oil company), Repsol (Spain), BG Group (UK), Total (France) and Gazprom (Russia).

3. KEY SECTORS

Manufacturing

Manufacturing export markets—mainly for semi-manufactures, such as processed soybean and refined metals. Bolivia's export earnings from manufactured goods (including refined oil, processed soya and metals) has shown strong recent growth, but lower prices for many commodities and a continued decline in the textile export sector are blunting manufacturing growth pending an upturn. Total manufactured exports in 2017 were worth US\$2.4 billion (33% of total exports). The United States is Bolivia's second- largest export market for manufactured goods worth almost US\$ 426 million in 2017. The majority of exports to the USA are either manufactured products or added-value semi- finished products rather than simple raw commodities.

The development of manufacturing is constrained by the relatively small size of the domestic market preventing major economies of scale. Disloyal competition from contraband trade is another hindrance, however strenuous government efforts to clamp down on contraband importers and retailers is acting to formalize trade. Bolivia's membership of the Comunidad Andina de Naciones (CAN) and its close association with the Mercado Comun del Sur (Mercosur) a customs union, provide some export opportunities. Refined or treated minerals and metals make up almost half of all manufactured exports. Non-durable consumer goods such as food, beverages, tobacco and detergents plus textiles, leather goods and shoes, artisan crafts, jewelry and intermediate goods, such as processed soya, timber products and petroleum make up the remainder. Bolivian textile and apparel manufacturers export some of their production. Smaller firms often produce fabrics for subsequent domestic sale. The textile and apparel industry has recently been making efforts to enter new markets within the region and in Europe owing to the ending of trade preferences to the US. Textile and leather goods makers are reliant on preferential market access programs to remain competitive against producers in Asia and the Latin American region.

Telecommunications

Telecommunications has been a key sector in driving growth over the last decade and will continue to offer opportunities for investment. The telecommunications sector has undergone major expansion after being opened to full competition in 2001, which led to a number of long-distance and international telecoms operators entering the market. The return of the largest telecom operator ENTEL to the state sector in May 2008 did not affect other private investors and both the state and private firms continue to roll out new services and technological innovations. Local telephone services in all major urban areas are provided by local cooperatives, the largest of which are in La Paz, Santa Cruz and Cochabamba. Competitors

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are mainly from within the 16 existing co-operatively owned local telephone providers, all of whom have expanded their range of services. One telecom company, Bolivia's AXS, has invested in developing an independent fiber-optic cable network and ENTEL is progressing with plans for the rollout of a major fiber-optic network by the end of the decade.

The application of regulated standards for service provision has steadily improved telecoms reliability since 1996. Liberalization and technological advances have also boosted sector growth, mainly driven by increased cellular telephony, corporate data services, Internet use and lower call costs. As is the case elsewhere in Latin America, investment and competition led to explosive growth of cellular (mobile) telephony. The number of cellular phone subscribers had outstripped the number of fixed line subscribers by the end of the 1990's and the number of cellular phones in use has exceeded the total population since 2013. This is more than thirty times the number a decade earlier and ten times the number of fixed lines. Rural telephony has also benefited from new investment and received a further boost from the launch of Bolivia's first satellite in December 2013.

Use of e-mail and the Internet have developed rapidly and the number of Internet subscribers rose over three million in 2012 and has grown steadily since. Domestic Internet use remains below the regional average according to official data, but Internet use is disguised. There is widespread use of retail Internet Cafes and mobile devices by those who cannot afford a home or business connection. Some major municipal authorities also provide free Internet access in public places. Bolivia's Internet penetration provides ample opportunities for expansion of the market. Bolivia's first telecommunications satellite began commercial operations in 2014. Dedicated satellite capacity will increase Internet availability and lower costs over time.

Banking and Financial Services

Banking reforms and improved regulation have led to a gradual strengthening and steady improvement of the depth and range of the banking system's services. The conversion of microcredit and private finance funds into fully regulated banks in 2014 raised the number of retail banks to 14 (from ten previously). Two foreign banks, Banco de la Nación Argentina and Banco do Brasil have a presence in some larger cities and mainly engage in corporate lending, trade credits and other services for multinational companies. The financial system regulator —Autoridad de Supervisión del Sistema Financiero (ASFI)— supervises all deposit taking institutions and other financial sector service providers, including the numerous non-bank and microfinance services, brokers and insurance companies within the regulated financial services system.

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The performance and outlook for the banking sector has markedly improved over the last decade as political stability and strong economic growth aided deposit-taking and lending growth. The banking system is enjoying robust demand and firm profitability as improved confidence in the banking system has spurred deposits growth, which have more than doubled since 2011 to almost US\$22.5 billion at the end of 2016.

Banking system deposits were previously almost entirely held in US dollars. However, a gradual de-dollarisation has been taking place since 2004. This trend accelerated following marked currency appreciation since 2008 and exchange-rate stability since 2011. The percentage of foreign currency holdings in the banking system fell to 15.1% in 2016, a major change from over half of all deposits in 2009. Bolivia's monetary authority has pledged to maintain a strong currency policy. While currency appreciation implies an increased cost to exporters and a potential loss of competitiveness it also lowers the cost of imported capital goods and raw materials used by industry.

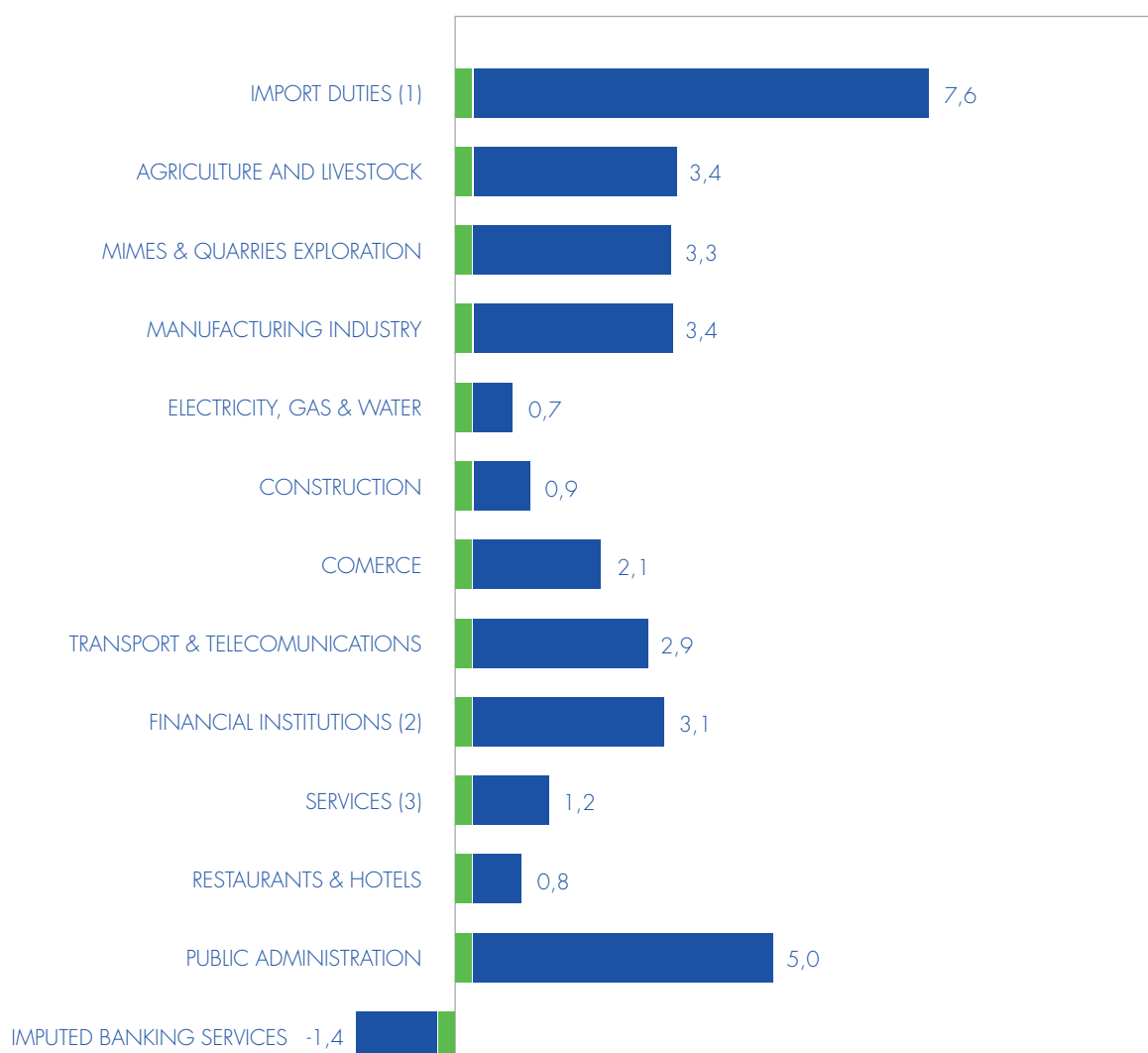
Mining

Metals mining and smelting have traditionally been Bolivia's economic mainstays and the country hosts large reserves of silver, zinc, lead, tin, iron, gold, tungsten, antimony, copper, lithium and ulexite. From the mid-2000's onwards, strengthening international prices for Bolivia's main mineral outputs encouraged the mining sector to increase production. This resulted in a mining investment boom and the development of new mining capacity. The value of minerals production more than quadrupled between 2005 and 2009. Despite a marked decline in most metals prices since 2014 mineral output has remained stable and will continue to be a major contributor to Bolivia's overall economic output. Export earnings from minerals, particularly zinc, tin, silver and gold have climbed since 2009. Despite some softening of minerals prices as a result of slowing demand from China, the mining sector remains very active and will continue to provide opportunities for suppliers of equipment, inputs and services.

A resurgence of interest in silver has been the main driving force behind major recent investment projects, but Bolivia is also host to large deposits of lithium and iron ore which are in a first phase of exploitation. The largest salt flat in the world, Salar de Uyuni, lies in Bolivia and contains high concentrations of lithium and other minerals. A state-led lithium extraction project is taking shape and there are longer term plans for lithium battery production. The future of the giant El Mutún iron ore deposit in eastern Bolivia is also advancing. In late 2015, the government reached agreement with China's Sinosteel to develop the ore reserve and build an iron smelter and steel-making facility to supply basic building materials to the construction industry.

In 2017, mining represented 47 percent of Bolivia's exports.

GROSS DOMESTIC PRODUCT AT MARKET PRICES 2015 (billions of dollars)



Source: Compilation based on National Institute of Statistics

(1) INCLUDING VAT, IT, AND OTHER INDIRECT TAXES

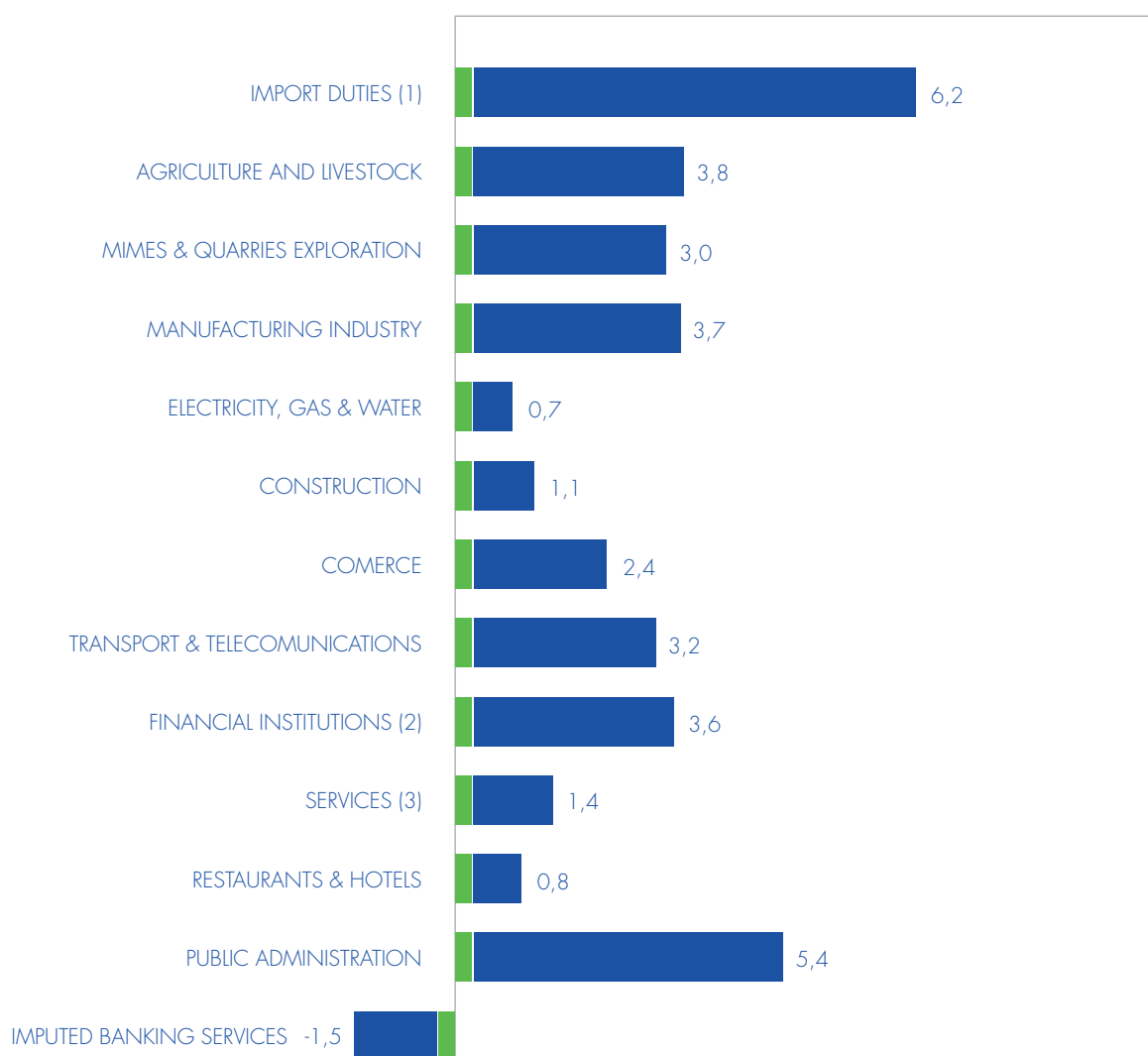
(2) INCLUDING INSURANCE, REAL STATE AND BUSINESS SERVICES

(3) INCLUDING COMMUNAL, PERSONAL, SOCIAL AND DOMESTIC SERVICES

33 billions US\$ GDP

(1) AT MARKET PRICES

GROSS DOMESTIC PRODUCT AT MARKET PRICES 2016 (billions of dollars)



Source: Compilation based on National Institute of Statistics

(1) INCLUDING VAT, IT, AND OTHER INDIRECT TAXES

(2) INCLUDING INSURANCE, REAL STATE AND BUSINESS SERVICES

(3) INCLUDING COMMUNAL, PERSONAL, SOCIAL AND DOMESTIC SERVICES

33.81 billions US\$ GDP (1)

(1) AT MARKET PRICES

4. FOREIGN TRADE TRENDS

International demand for Bolivia's export main stays of minerals, natural gas, oilseeds and other agricultural products remains firm despite a global downturn in commodities prices since 2014.

In 2017, there was an increase in exports of more than 71 million dollars with respect to past management. However, lower prices have led to a gradual slide in earnings for many of Bolivia's major export items, a trend that continued in 2016 with an estimated 19% decline in total export earnings to US\$7billion. The largest export sector was mining products which contributed near US\$ 3.7 billion to earnings accounting for 47% of total exports.

With the outlook for commodities prices remaining weak in 2017 export earnings are unlikely to grow. Import demand is expected to stabilize after the recent decline, as planned strong public investment and private consumption demand continues to boost imports.

Bolivia's trade with neighboring countries has grown in recent years, mainly because of natural gas exports to Brazil and Argentina and regional preferential trade agreements. Bolivia is a member of the Andean Community (CAN) and enjoys nominally free trade with other member countries (Peru, Ecuador, and Colombia). Bolivia is also an associate member of Mercosur (Southern Cone Common Market) and is seeking to become a full member. Trade relations are also focused on developing markets in Europe under the auspices of an EU trade preference agreement.

Bolivia's main regional trading partners will continue to provide demand for Bolivia's export trade in 2017. Expectations that US economic recovery will gather pace is also supportive. However, a stronger US dollar will act to reduce the value of mineral and refined metals exports in 2017, which will have to be made up made up for by increased volumes if the slide in exports earnings is to be halted.

5. ECONOMIC-COMMERCIAL RELATIONS

Exports to the United States from Bolivia have jumped sharply higher in recent years rising to just under 545 million in 2017 (8 % of total exports). Bolivia's major exports to the US are refined tin metal, silver mineral and jewelry. In 2017, Bolivia imported US\$687 million worth of merchandise from the United States (8 % of total imports). The majority of US imports are concentrated in the machinery and equipment categories. Other major imports consist of electronic equipment, chemicals and vehicles.

Manufactured goods categories are playing a diminishing role in Bolivia/US trade following the suspension in December 2008, and subsequent expiry in June 2009, of Bolivia's participation in the Andean Trade Promotion and Drug Eradication Act (ATPDEA). ATPDEA allowed numerous Bolivian products to enter the United States duty-free, subject to a quota. Bolivia is eligible for preferential trade benefits under the Generalized System of Preferences (GSP). The US remains the world's largest market for manufactures and a range of Bolivia-based companies continue to do well there.

In a bid to end a diplomatic freeze that has existed since 2008, the Bolivian and US governments have been working towards a diplomatic solution intended to lead to the eventual restoration of full diplomatic ties and an exchange of ambassadors. Ongoing talks are taking place towards the normalization of relations, although progress has been prone to setbacks and will advance only slowly.

BOLIVIA IN FIGURES	2012	2013	2014	2015	2016
Nominal GDP (US\$ bn)	27.1	30.7	32.2	33	33.81
Real GDP growth (%)	5.1	6.8	5.5	4.8	3.7
GDP per head (US\$)	2,645	2,948	3,125	3,078	3,252
Gross fixed investment (% change)	2.5	11.7	9.9	4.6	2.2
Consumer prices (end-period; %)	4.5	6.5	5.2	3.0	4.0
Lending interest rate (av; %)	11.1	11.1	9.7	8.1	8
Good exports (US\$ m; fob)	11,254	11,657	12,300	8,726	7,082
Good imports (US\$ m; fob)	8,578	9,338	10,519	9,766	8,423
Current account balance (US\$)	7.3	3.4	1.5	-5.6	-7.0
Exchange rate Bs:US\$ (av)	6.91	6.91	6.91	6.91	6.91
Net international reserves (end-period; US\$ bn)	13.9	14.4	15.1	13.1	10.0

Sources: Bolivia Central Bank; National Institute of Statistics, IMF.

Political administrative organization The Plurinational State of Bolivia is a unitary State and its current constitution came into effect in February 2009. The country is divided into nine administrative departments, each with an elected governor

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and departmental legislature. The nine departments are sub-divided into 112 provinces. Local government is comprised of 339 municipalities each with an elected mayor and municipal council.

The Executive

The President is directly elected together with a Vice-President and serves for a five year term and appoints a cabinet of ministers. Presidential and legislative elections last took place on October 12th 2014. Mayoral and gubernatorial elections are also held every five years and last took place on March 29th 2015. The executive branch is comprised of the following ministries:

- Communication Culture & Tourism Defense
- Development Planning Economy & Public Finances Education
- Energy
- Environment & water Foreign affairs Hydrocarbons
- Health
- Home Affairs (Interior) Justice
- Labor, employment & social security
- Mining & metals Presidency Production
- Public works, housing & services Rural development and land Sports

The Legislature

The Legislative Assembly is bicameral with a 36-member Senate (the upper house). Four senators are elected from each of the nine departments. Half of the 130-member Chamber of Deputies (the lower house) are directly elected, the other half is indirectly elected through a system of party nominations.

The Judiciary

Each department has its own courts with the Supreme Court in Sucre is at the apex. There is also a Constitutional Tribunal to rule on constitutional matters and a Consejo de la Judicatura which presides over appointment and regulation of the judiciary.

International Organizations

Bolivia is a member or associate member of all the major international organisations including; the United Nations (UN), the Organization of American

5. ECONOMIC-COMMERCIAL RELATIONS

States (OAS), Comunidad Andina de Naciones (CAN), Mercado Común Del Sur (Mercosur), Alianza Bolivariana para los Pueblos de Nuestra América (ALBA), the Inter-American Development Bank (IDB), Corporación Andina de Fomento (CAF), the World Bank, the World Trade Organisation (WTO) and the International Monetary Fund (IMF).

Setting up a company in Bolivia

There are 15 key steps for company formation in Bolivia. The over all process takes approximately 50 working days, according to World Bank surveys.

- Check for uniqueness of the company's name at the Registry of Commerce
- An attorney draws up articles of incorporation, bylaws and an act of constitution. This includes the appointment of a provisory board.
- Notarize the articles of incorporation "escritura de constitución"
- Publish the company deed "título de constitución" in a national newspaper
- An accredited accountant prepares the opening balance sheet "Balance de apertura"
- The opening balance sheet is affirmed with the seal of the Colegio de Contadores
- Register at the National Tax Service to obtain a tax identification number (Número de Identificación Tributaria, NIT)
- Obtain a municipal business license and a municipal registration card (Padrón Municipal) from the municipality where the business is located
- Municipal Government inspects the technical and environmental characteristics of the venue
- Obtain evidence of a bank deposit equivalent to at least 25% of the company's subscribed capital
- Register the company deed "Matricula de Comercio" with the Fundación para el Desarrollo Empresarial – FUNDEMPRESA and obtain a legal identity
- Register at the appropriate Chamber of Commerce or Industry
- Register for national health insurance and short-term disability coverage
- Register at the Ministry of Labor, enroll in the Caja Nacional de Establecimientos
- Register employees with the pensions system
(Sistema Integral de Pensiones)

BOLIVIAN INSURANCE PRACTICE

SECTION I

REGULATORY FRAMEWORK

Insurance companies, as intermediaries, must be specialized in selecting the risks assumed, minimize risk through the use of reinsurance, and additionally, efficiently and professionally manage the investment of its own financial resources, as well as those of third parties.

The Insurance Law # 1833, in its Article 6, determines three insurance modalities:

- a. General insurance, through this modality the insured can cover probable future losses due to theft, traffic accidents, fire, etc.
 - b. Personal insurance, through this modality the insured is covered from fortuitous health risks, personal accidents, loss of life, etc.
 - c. Surety insurance, divided in security and credit insurance.
- Pursuant with this Law, personal insurance is exclusive with respect to general insurance and surety insurance. In turn, general insurance companies are authorized to manage surety insurance and health insurance.

INSURANCE MARKET ORGANIZATION

Insurance transactions are based on goodwill as well on trust which the insured places on the insurance company.

The insurance market in Bolivia has the following organization:

- Supervision and Control Authority of Pensions and Insurances (APS).

Insurance companies

Currently there are seven insurance companies that run General insurance and Surety insurance, and nine companies that run life insurance.

The APS is the body in charge of regulation, supervision and control of the persons, entities and activities in the insurance sector in Bolivia in-keeping with the Insurance Law and its regulations.

SCHEDULE 1

GENERAL AND SURETY INSURANCE COMPANIES	LIFE INSURANCE COMPANIES
La Boliviana Ciacruz de Seguros y Reaseguros S.A.	BUPA Insurance (Bolivia) S.A.
Seguros y Reaseguros Credinform International S.A.	La Vitalicia Seguros y Reaseguros de Vida S.A.
Seguros Illimani S.A.	La Boliviana Ciacruz Seguros Personales S.A.
Alianza Compañía de Seguros y Reaseguros S.A. EMA	Seguros Provida S.A.
Bisa Seguros y Reaseguros S.A.	Nacional Seguros Vida y Salud S.A.
Compañía de Seguros y Reaseguros Fortaleza.	Alianza Vida Seguros y Reaseguros S.A.
Nacional Seguros Patrimoniales y Fianzas S.A.	Crediseguro S.A. Seguros Personales
	Seguros y Reaseguros Personales Univida S.A.
	Compañía de Seguros de Vida Fortaleza S.A.

Source: Supervision and Control Authority of Pensions and Insurances (APS).

It must be noted that due to restrictions in the new Law, cooperatives cannot carry out insurance activities in the Bolivian market as this activity is exclusively assigned to corporations.

SECTION I

Reinsurance companies

Reinsurance mechanisms are the main tools for the coverage of risk dispersion, by assuming the risks transferred to them by insurance companies, as well as the transfer and distribution of risk to other reinsurance companies. In fact, these activities require large volumes of operations and consequently significant amounts of capital resources.

Currently, approximately seventy-eight foreign reinsurance companies are registered and authorized to assume insurance risks transferred by Bolivian insurance companies.

Brokers

These companies act as intermediaries between the insured and the insurers, with no contractual obligation with the latter. In other words, these provide technical assistance to their clients based on their needs and the coverage characteristics. Furthermore, brokers should recommend to their clients to select the company that, in their opinion, is best suited to provide the insurance required by the client's needs.

At present there are twenty thirty-two in the insurance market in Bolivia. These cover general insurance, as well as surety and life insurance.

RISK RATINGS FOR INSURANCE COMPANIES					
Insurance Companies	Rating Company	Claims Payment		Rating Date	Trend
		Nomenclature ASFI(*)	Nomenclature Rating Company		
La Boliviana Ciacruz de Seguros y Reaseguros S.A.	Moodys	AA1	Aa1.bo	29/09/2017	Stable
	PCR	AA2	BAA	29/09/2017	Stable
Seguros y Reaseguros Credinform International S.A.	Moodys	BBB3	Baa3.bo	29/09/2017	Stable
	PCR	A1	BA+	29/09/2017	Stable
Seguros Ilimani S.A.	AESA RATINGS	B3	B-	29/09/2017	Negative
	Moodys	C	Caa3.bo	29/09/2017	Stable
Alianza Compañía de Seguros y Reaseguros S.A. EMA	AESA RATINGS	AA3	AA-	29/09/2017	Stable
	Moodys	AA3	Aa3.bo	29/09/2017	Stable
Bisa Seguros y Reaseguros S.A.	AESA RATINGS	AA1	AA+	29/09/2017	Stable
	Moodys	AAA	Aaa.bo	29/09/2017	Stable
Compañía de Seguros y Reaseguros Fortaleza S.A.	AESA RATINGS	A1	A+	29/09/2017	Stable
	PCR	A2	BA	29/09/2017	Negative
Nacional Seguros Patrimoniales y Fianzas S.A.	Moodys	AA3	Aa3.bo	29/09/2017	Stable
	PCR	A1	BA+	29/09/2017	Stable
BUPA Insurance (Bolivia) S.A.	AESA RATINGS	AAA	AAA	29/09/2017	Stable
	Moodys	AAA	Aaa.bo	29/09/2017	Stable
La Vitalicia Seguros y Reaseguros de Vida S.A.	AESA RATINGS	AA2	AA	29/09/2017	Stable
	PCR	AA2	BAA	29/09/2017	Stable
La Boliviana Ciacruz Seguros Personales S.A.	Moodys	AA1	Aa1.bo	29/09/2017	Stable
	PCR	AA2	BAA	29/09/2017	Stable
Seguros Provida S.A.	AESA RATINGS	B3	B-	29/09/2017	Negative
	Moodys	C	Caa1.bo	29/09/2017	Stable
Nacional Seguros Vida y Salud S.A.	Moodys	AA3	Aa3.bo	29/09/2017	Stable
	PCR	AA3	BAA-	29/09/2017	Stable
Alianza Vida Seguros y Reaseguros S.A.	AESA RATINGS	AA3	AA-	29/09/2017	Stable
	Moodys	AA3	Aa3.bo	29/09/2017	Stable
Crediseguro S.A. Seguros Personales	AESA RATINGS	AA1	AA+	29/09/2017	Stable
	PCR	AA3	BAA-	29/09/2017	Stable
Seguros y Reaseguros Personales Univida S.A.	AESA RATINGS	A3	A-	29/09/2017	Stable
	Moodys	AA3	Aa3.bo	29/09/2017	Stable
Compañía de Seguros de Vida Fortaleza S.A.	AESA RATINGS	BBB1	BBB+	29/09/2017	Stable
	Moodys	A3	A3.bo	29/09/2017	Negative

Source: Reports sent to the Supervision and Control Authority of Pensions and Insurances (APS) based on Rating sent on September 29/2017.

(*) Category and rating level according to ASFI norms Resolutions 33/2010.

HANDLING PROCEDURE

Contact should be made with Mr. Gonzalo Kieffer Guzmán, International Accounts Coordinator, who is the Chief Executive Officer nationwide and Mr. Andrés Kieffer Fleig Vice President for Business Development.

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ENGINEERING FACILITIES

KIEFFER & ASOCIADOS S.A. has one staff engineer.

NON ADMITTED INSURANCE

Non admitted insurance is not permitted. Agents, brokers or insurers who violate the law are subject to substantial fines.

COMPULSORY

- Third party liability for all public transport vehicles (i.e. buses, taxis, etc.) On May 25th 2000, as per decree N°25785, the SOAT insurance (Seguro Obligatorio de Accidentes de Tránsito) has been created, which covers the risks of death and bodily injury as a consequence of an accident. The SOAT insurance also covers: Medical Expenses, total disability and death with a maximum amount of 2.300 Special Drawing Rights, approximately \$us. 3.600 per person.
- The financial Institutions are obligated by the Financial Authorities to maintain BBB and D&O policies.
- Workers compensation (State Scheme)

REGISTRATION OF REINSURANCE COMPANIES

According to Resolution No.764/2008 reinsurance companies that operate directly with Bolivian ceding companies, have to be register in the Supervision and Control Authority of Pensions and Insurances (APS), this filing is responsibility of the ceding company.

SECTION I

SECTION I

In the cases where the reinsurance is handle with the participation of a reinsurance broker, the broker has to be registered in the Supervision and Control Authority of Pensions and Insurances (APS), this is responsibility of the local broker with whom the international broker has relations or the ceding company if no local broker is involve.

LOCAL CONTROLS

Supervision and Control Authority of the Pensions and Insurances oversees the insurance industry.

CAPITAL REQUIREMENTS

According to Law No 1883, article 29th, the minimum capital required is 750.000 "Special Drawing Rights". This minimum amount is required for life and non-life general insurer. The insurer has to be either life or non-life.

Life Insurances must start with 1.000.000 "Special Drawing Rights".

Reinsurance Brokers:

- Conesa Kieffer & Asociados Corredores de Reaseguros S.A.
- Iberam Re Corredores Internacionales de Reaseguros S.A.
- Olsa Bolivia Corredores de Reaseguros S.A.

Loss Adjustment Facilities

Cunningham Lindsey International Limited
MacLarens Young International

Competition

Leading broker in Bolivia: KIEFFER & ASOCIADOS S.A. CORREDORES DE SEGUROS

General Information

- The Boliviano is the national currency
- U.S. dollar insurance is available for all lines of insurance.
- Dollars can be freely obtained on the exchange market to pay on dollar policies.

SECTION I

Policies

- The legal system is based on the civil code under law 12760 of August 6, 1975.
- The Supervision and Control Authority of the Pensions and Insurances controls authorizes all insurance wording and clauses, based generally on British wordings.
- Policy language: Spanish.
- Although LTA's (long term agreements) are available they are not commonly used.
- The cancellation clause provides for a 15 days notice of cancellation prior to the Anniversary date of the policy without penalty.
- Policies may be issued in bolivianos or a foreign currency. It is estimated that about 95% of all policies are issued in US dollars.
- Natural hazard: Flood in the tropical area in the eastern portion of the country.

TAXES

The taxes that apply are:

- Value Added: 13.0%
- Transactions: 3%
- Supervision Authority of the Financial System Bolivia: 2.0%
- Remittance Reinsurance Tax: 2.5%
- Financial Transactions Tax: 0.30%

Insured benefits with a 13.0% tax credit of total invoice.

Obtaining Quotation

Brokers must have a letter of record before underwriters will quote.

WORKERS' **COMPENSATION** EMPLOYERS' LIABILITY AND CASUALTY

SECTION II

BOLIVIAN SOCIAL SECURITY SYSTEM:

Workers' compensation is a monopoly of the government and is administered by the Social Security System. All individuals, including expatriates and excluding domestic servants and agricultural workers, are subject to the Workers compensation.

This system considers the following regimes on his organization:

- **Short Term Social Security:**

This benefit, is provided by Cajas de Seguridad Social in accordance to the Social Security Code approved by Law on December 14th, 1956. It covers the Medical Benefits to the employee, in respect of injuries and occupational diseases, including drugs and medical treatment up to 26 weeks.

The Medical Benefits cover also, maternity expenses. All dependant or independent employees are covered until 58 years old.

The employer is who contributes with 10% of the payroll to the Medical Government Insurance provided by the Caja de Seguridad Social.

- **Long Term Social Security:**

The contributions and benefits are managed by the Administration Fund of Pensions (A.F.P.), in accordance to the Pensions Law N° 065, issued on December 10th, 2010.

It covers the retirement of all employees after 58 years old.

In case of women, the age changes in accordance to the quantity of born children. It means that the age reduce one year for every born child, up to a limit of three.

1) Contributions

The Social Security System, receives a total of 19.42 % for each employee. 12.71 % from the employee salary and 6.71 % from the employer, as explain

EMPLOYER CONTRIBUTION	% Contribution
Solidary Employer Contribution	3%
Housing Fund	2%
Premium by Professional Risk	1,71%

TOTAL EMPLOYER CONTRIBUTION

EMPLOYEE CONTRIBUTION	%
Monthly Quote	10,00%
Insured Solidary Contribution	0,50%
Premium by Common Risk	1.71%
Fee due to Administration	0.50%

In case of the employee's salary exceed Bs 13.000, Bs 25.000 and 35.000, he must to pay in addition, a Solidary National Contribution, which have to be applied with a variable rate, explained as follows:

Solidary National Contribution
$=(\text{Total Salary} - \text{Bs } 13.000) * 1\%$
$=(\text{Total Salary} - \text{Bs } 25.000) * 5\%$
$=(\text{Total Salary} - \text{Bs } 35.000) * 10\%$

2) Benefits

The benefit is 60 % minimum of the salary at the time of retirement, which is paid for life.

3) Death Benefits

In case the employee dies or as a result of an accident is incapable of continuing its work, the family will receive a monthly pension equal to 100 % minimum of its salary until the widow dies or the children exceed the 19 years old.

In case of death, the Law grants also, 1.800 Bs (Bolivian currency) for funeral expenses.

SECTION II

SECTION II

4) Sickness and disability benefits

These benefits are equal to 100% of the salary and are paid from the day of the accident or illness is declared.

The maximum period of the disability is one year.

LIABILITY

Employers Liability

Employees have a right of action at law and the state has a right of subrogation against a negligent employer.

An Employers Liability Policy is available to cover these exposures.

- Policy Period: Annual.
- Cancellation Requirements:
- The insurer: 15 days.
- The insured: Anytime.
- Taxes: 15 days.

General Liability

- There is no standard General Liability form used in Bolivia. Coverage may be written for named locations, or blanket cover for all locations. Limits for bodily injury and property damage may be written separately or as a combined single limit.
- Defense costs and other supplemental expenses are separately insured for a specified amount.
- Product liability coverage is excluded from treaty reinsurance contracts but is available in the facultative market. Product liability exposures are not a serious consideration in Bolivia as the public, for the most part, is not litigious. Generally, a limit of \$US 500,000 is considered appropriate for most clients.

Coverage for Sudden and Accidental pollution is available.

The Civil Code liabilities including Tenants Liability, Owners Liability and Neighbours Recourse can be covered under the General Liability policy.

Punitive damages cannot be insured locally.

Contractual and contingent liabilities can be insured under separate policies or added by endorsement to the General Liability policies.

Policy Period - annual

Taxes - 26.00%

Cancellation Requirements

- Insurer: 15 days
- Insured: anytime

There is no organized pool to handle nuclear liability. This cover is not available locally.

Directors and Officers Liability

Directors and Officers Insurance (D & O) is not compulsory, but it may be purchased.

As per Resolution N°061 issued by the Supervision Authority of the Financial System, all financial intermediaries require an D & O policy, covering the members of the board, subject to limits according to the operations, being the minimum of \$us. 500.000.-

Companies generally pay the premium for D & O insurance, on behalf of the Directors and Officers and there appear to be no tax ramifications for such purchase.

Only residents or "admitted" carriers are permitted to sell D & O insurance. The primary carriers for this line of coverage in Bolivia are: CHUBB, AIG and ZURICH.

There is not a particular form neither required nor mandated. It appears that D & O coverage is written in Bolivia on an occurrence basis, rather than the more standard claim-made basis. This means the coverage trigger is when the alleged wrongful act causing loss, occurs; regardless of when a claim is actually made.

The laws, rules of regulation of the country, allow the Company to indemnify its Directors and Officers for claims against them, but they cannot sue against its

SECTION II

SECTION II

own Directors and Officers. There are particular statutes and laws that specifically impose liability on Directors and Officers banks.

Automobile Liability and Physical Damage

Third party liability insurance is not compulsory.

The minimum combined single limit set by tariff is \$us. 5.000.-but higher amounts are recommended. Since automobiles are very expensive in Bolivia, property damage can be a greater expense than bodily injury. For corporate clients, we recommend as a minimum the following:

La Paz \$us. 50,000.-
Santa Cruz \$us. 50,000.-
Elsewhere \$us. 50,000.-

The standard policy includes legal defense costs.
Passengers are not considered third parties but may be covered under a Passenger Accident policy.

Medical payments are available, up to 20% of sum insured for passenger.

The Automobile Physical Damage policy covers:

- Total loss due to collision, fire and overturn;
- Own damage due to collision, fire and overturn with or without deductibles;
- Damage caused by strike, civil commotion & malicious mischief;
- Partial theft up to 80%

Five vehicles or more qualify as a fleet. Discounts of one percent per vehicle, to a maximum of 30% are given.

Policy Period – annual
Cancellation Requirements
Insurer: 15 days
Insured: anytime
Sales Taxes 26%

SECTION II

Crime

The market offers any type of coverage provided there is a reinsurer who will support it.

Fidelity coverage may be written blanket, subject to a limit per loss (Commercial Blanket Bond) or per employees; or it may be scheduled (by employee or by position).

Money and securities coverage is written on an all risk or named peril basis.

Burglary coverage on stock is available.

3-D and B.B.B. are available policies.

Policy Period - annual

Taxes - 26.00%.

Cancellation requirements:

Insurer: 15 days.

Insured: any time

Discounts for longer-term policies are not available.

The Supervision and Control Authority of Pensions and Insurances (APS) has issued Resolution N° 069, requiring the obligation for all Financial Institution under their surveillance (Banks, Exchange Brokers and other Financial Intermediaries) to maintain a Bankers Blanket Bond with limits according to the operations, being the minimum of \$us 1.000.000.

Environmental Protection

- Bolivia has environmental legislation since April 27, 1990 when the law was approved.
- All existing and future investments are subject to obtain a license called "Declaración de Impacto Ambiental" (D.I.A.) which is the authorization document to execute a project.
- The D.I.A. is provided by the corresponding authorities evaluating the study done by professionals (local or foreign) in respect to the investment or project.

PROPERTY

All Risk Property

Policy Period - annual
Taxes 26%
Cancellation Requirements
Insurer: 15 days
Insured: anytime
Other Coverages - Standard Perils

The basic fire rate covers damage caused by fire and lightning.

The extended coverage perils include windstorm and hail. Strike; riot & civil commotion; vandalism & malicious mischief; vehicle impact; falling aircraft; water damage (burst pipes); flood; earthquake and fire following can be added to the policy by endorsement.

Coverage for terrorism is available; it is rated at the discretion of the underwriter.

The explosion cover includes damage by pressure vessel explosion.

Damage to the vessel itself is covered under Machinery Breakdown policy. Although Bolivia has not suffered an earthquake in 35 years; the exposure can be covered by Endorsement to the Fire policy. Sprinkler leakage insurance is available.

SECTION III

SECTION III

The following chart indicates the availability of fire and allied perils in the local market:

Perils	Direct Damage
Fire	Yes
Lightning	Yes
Windstorm (Tempest Typhoon)	Yes
Explosion on Premises	Yes
Explosion off Premises	Yes
Explosion of Gas for Domestic Use	Yes
Explosion Damage to Boilers/Pressure Vessels	Yes
Explosion Damage to Surrounding Property from Boilers/Pressure Vessels	Yes
Strikes	Yes
Riots	Yes
Civil Commotion	Yes
Terrorism	Yes
Vandalism	Yes
Falling Aircrafts and objects there from	Yes
Sonic Boom	Yes
Vehicle Impact	Yes
Burning Fields, Forests, Jungles, etc,	Yes
Smoke	Yes
Earthquake	Yes
Flood	Yes
Sprinkler Leakage	Yes
Other water damage (Ruptured, piping, etc.)	Yes
Hail	Yes

The basis for loss recovery is either replacement cost or actual cash value.

Standard coinsurance is 100% although this may be modified if the reinsurer agrees.

Stock is written on monthly or quarterly declaration forms. The deposit premium varies between 50% and 70% of the actual premium.

Good-in-process and finished goods can be insured for selling price. Insuring for selling price would cover the loss of profit that would result if there were only a direct damage loss.

SECTION III

Business Interruption

- This market is non-tariff. Business interruption is written on the Gross Earnings form or the British Loss of Profits form. Indemnification for fixed expenses is written on the Daily Loss form.

Coverage can be written for the same perils available on the Fire policy or boiler and machinery.

Policy Period - annual.

Taxes - 26.00%.

Cancellation Requirements

Insurer: 15 days

Insured: anytime

Boiler & Machinery

- It is a norm to insure boiler or other pressure vessel explosion by endorsement to the Fire policy. Separate machinery breakdown (including electrical failure) insurance is also available, on standard Munchener Re, Swiss Re forms or others.

Policy Period - annual.

Taxes - 26.00%.

Cancellation Requirements

Insurer: 15 days

Insured: anytime

Contractors All Risk

- All Risk coverage is available.
- The owner, contractor and builder may be included as a named insured for cross third party liability.
- Government contracts require bonds, these are insurance bonds or bank bonds, these could be insurance or bank notes.

Construction / Erection Risks (Car)

- Market forms are basically Munich Re and Swiss Re, suited to the type of RISK.
- Cancellation Clause should be taken into consideration, because local forms consider a period of cancellation notice of only 15 days.

SECTION III

Marine

- U.S. and London forms are available.
- Under the law, all exports from and imports into Bolivia must be insured locally

- Stock Troughput

Other Coverages

- Ocean Cargo
- U.S. and British forms available. War and SRCC, also available

HULL P/I

- Lloyds of London forms used.
- 100% facultative placements.
- Taxes 26.00%.

Form: Lloyd's of London Underwriters.

INSURANCE **BONDS** AND WARRANTIES

SECTION IV

- BID Bonds.
- Performance Bonds.
- Maintenance Bonds.
- Temporary Imports.
- Highways Bonds, in case of wide load trucks.
- Export Credit Insurance
- Accounts Receivable Insurance

INSURANCE LAW
No. 1883 JUNE 25, 1998

ARTICLE 1 - APPLICATION

SCOPE

The application environment of the Insurance Law includes the activities of assuming third-party risks and providing coverage, contracting general insurance, prepaying services similar to insurance, as well as intermediation and auxiliary services for such activities, by corporations expressly established and authorized for such purposes by the Supervision Authority of the Financial System Bolivia.

It also rules the operation and control of entities performing the above mentioned activities, protection of policy holders and insurance beneficiaries as well as the Supervision Authority attributions.

The insurance-referred rules are deemed to be also applicable to any form of the insuring and reinsuring activity.

ARTICLE 2 - PROHIBITION

No natural or juristic person may carry out the activities, indicated in the foregoing article, without an express establishment and operation authorization granted by the Supervision Authority with the formalities and requirements established by this Law, its regulations and without affecting the provisions of article 55.

ARTICLE 3 - OBLIGATORY CHARACTER FOR INSURANCE AND WITHHOLDING CONTRACTING IN BOLIVIA

Natural or juristic persons, domiciled in Bolivia, contracting insurance are under obligation of taking insurance in the country with insuring entities established and authorized for operating in the territory of Bolivia.

Likewise, the insuring entities must withhold maximum fifteen percent (15%) of the responsibility for individual risk and minimum thirty percent (30%) on the total subscribed premiums.

INSURANCE LAW
No. 1883 JUNE 25, 1998

ARTICLE 4 – OBJECTIVES

The objective of this Law and its regulations are to rule the activities of insurance, reinsurance, intermediation, auxiliary and prepayment entities so these have sufficient credibility, reliability and transparency, guaranteeing a competitive market. Likewise, it determines the rights and duties of the insuring entities and established the juridical equity and safety for the protection of the insured, drawers and beneficiaries of the insurance.

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