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THE INDUSTRIAL DEVELOPMENT OF BOLIVIA

prepared by the  
National Planning and Co-ordination Office of Bolivia  
and submitted by the secretariat of the  
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## EXPLANATORY NOTE

Resolution 250 (XI) of 14 May 1965, adopted by the Economic Commission for Latin America (ECLA) at its eleventh session, requested the Latin American Governments "to prepare national studies on the present status of their respective industrialization processes for presentation at the regional symposium". With a view to facilitating the task of the officials responsible for the national studies, the ECLA secretariat prepared a guide, which was also intended to ensure a certain amount of uniformity in the presentation of the studies with due regard for the specific conditions obtaining in each country.

Studies of the industrial development of fourteen countries were submitted to the Latin American Symposium on Industrial Development, held in Santiago, Chile, from 14 to 25 March 1966, under the joint sponsorship of ECLA and the Centre for Industrial Development, and the Symposium requested ECLA to ask the Latin American Governments "to revise, complete and bring up to date the papers presented to the Symposium".

The work of editing, revising and expanding the national monographs was completed by the end of 1966 and furthermore, two new studies were prepared. The ECLA secretariat attempted, as far as possible, to standardize the presentation of the reports, in order to permit comparison of the experience of the different countries with regard to specific problems, particularly in the field of industrial policy.

The national studies on industrial development, to be presented to the International Symposium relate, in alphabetical order, to the following countries: Argentina, Bolivia, Brazil, Central America, Chile, Colombia, Cuba, Ecuador, Guyana, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

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Chapter I

HISTORICAL OUTLINE

Manufacturing industry first began in Bolivia in the latter part of the '20's. However, even at the end of the Chaco war it was still of secondary importance; the economic activity of the country depended almost entirely on mining <sup>1/</sup> and needs for manufactured products were satisfied by import. Although in this period industry itself was also dependent on external supply for its raw materials, a gradual increase of urban demand, diversification of extractive activity and the reduction of imports which resulted from the Second World War enabled it to grow.

The upward trend in consumption of domestic products continued even after 1947 when it might have been expected that conditions in the internal market would reverse it. But the expansion of activity in the extractive sector as a result of the Korean War maintained it until 1953.

In that year manufacturing production began to grow rapidly in order to meet a demand which continually increased under the stimulus of inflation. This development becomes obvious from the increase in the number of industrial establishments; from 1,109 in 1950 to 1,685 in 1955 according to the data of the Statistics Bureau. At the same time, the value of industrial production rose from 3,726 thousand Bolivian pesos (in 1950) to 4,285.8 thousand (in 1955), at constant values and market prices of 1950.

Employment also grew during this period, from a total of 14,646 workers in 1950 to 25,736 in 1956. It may be remarked that this increase did not entirely correspond to the real needs of production, as was proved at a later stage when stabilization measures were applied; it was partly due to a preferential system of allocating foreign exchange, which was granted according to the number of employees of each industrial establishment.

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<sup>1/</sup> The foreign exchange obtained from mining was put back into trade and not used for industrial development.

The sector most affected by the change of economic policy which occurred in December 1956 as a result of the measures of the Monetary Stabilization Plan was that of manufacturing industry, whose internal market was deprived of much of its purchasing capacity. The income of the enterprises fell, stocks of finished products accumulated, working capital dwindled and financial solvency declined. Apart from these depressive factors, factory production increasingly suffered from the quantities of competitive merchandise allowed to enter the country under a far from adequate tariff. A further disadvantage was the saturation of the market by large-scale smuggling; this affected most branches of industry to a considerable degree and was particularly damaging to textiles, wearing apparel, leather and footwear and food products.

This situation resulted in the closing of many industrial enterprises: the 1,556 industrial establishments registered in 1956 were reduced to 878 in 1958. In the same period employment fell from 25,376 persons (1956) to 20,509 (1958).

1957, when its contribution to the gross domestic product was only 36 million dollars and its relative importance 10.5 per cent, was a year of crisis for industry.

As a result of the crisis many trained professionals had to leave the country and there was a massive withdrawal of capital.

The period from 1961 to 1966 is characterized by efforts towards economic and industrial recovery. The National Planning Board, now called the National Planning and Co-ordination Secretariat, was founded on the 11th October 1960.

The first Economic and Social Development Plan, also known as the Ten-Year Plan for 1962-1971, was prepared by this organization in collaboration with an ECLA/BTAO/FAO (Economic Commission for Latin America/Bureau of Technical Assistance Operations/Food and Agriculture Organization) advisory group, and approved by the Cabinet in July 1961. It later prepared two-year plans for 1963-64 and 1965-66, which will serve to orient recovery measures and will have some effect on the industrial development of the country.

/The raising

The raising of restrictions on bank loans to industry and trade has helped to save the activities belonging to those sectors from actual collapse and has benefited those industries which managed to survive the crisis produced by the Monetary Stabilization Decree and the subsequent measures of the government during 1957-1960.

As legal measures for encouraging investment in industry, the Honourable Military Council of Government on the 16th December 1960 passed Law N° 48 for developing, stimulating, promoting and providing co-operation for investments, and on the 20th October 1965 Decree N° 07366, the Law of Promotion, Stimulus and Co-operation for private investments, which amplified the provisions of the former.

Three completely characterized periods can be distinguished in Bolivia's economic and industrial history since 1950. The following is a schematic outline:

1. First period, 1950-1956

A period of inflation characterized by:

- (a) Establishment of preferential exchange rates for articles of prime necessity.
- (b) Restriction on imports of articles considered superfluous.
- (c) Internal demand for real estate and manufactured goods, motivated by currency devaluation.
- (d) At the end of the period, grants of foreign exchange at a preferential exchange rate to entrepreneurs making imports of industrial machinery.
- (e) Establishment of certain industries under the artificial incentives of a subsidized economy.

2. Second period, 1957-1960

A period of crisis for trade and industry as a result of the Monetary Stabilization Decree of the 15th December 1956, and characterized by:

- (a) Abolition of preferential exchange rates.
- (b) Free import on the basis of a uniform exchange rate.
- (c) High prices constricting demand and limiting it to articles of prime necessity.

/(d) Freezing

- (d) Freezing of credit, salaries and wages.
- (e) Immobility of staff and workers.
- (f) Social unrest.
- (g) Exodus of trained human resources and financial reserves.

3. Third period, 1961-1966

A period of recovery and development for trade and industry, and characterized by:

- (a) Establishment of an economic and social development plan.
- (b) Loans to industry and trade.
- (c) Incentives for private investment.
- (d) Reduction of excess employment.
- (e) Alteration and accomodation of protective tariff for industry.

Chapter II

RELATIVE IMPORTANCE, STRUCTURE AND GENERAL CHARACTERISTICS  
OF MANUFACTURING INDUSTRY

1. The contribution of the gross manufacturing product  
to the total gross product

The value of manufacturing production as a whole rose from 830 million pesos in 1958 to an estimated 1,164 million in 1964 (constant prices), which gives a cumulative annual growth rate of 5.8 per cent.

The two major divisions of industry - food industries and all others - showed a marked difference in their development in 1958-64: the former grew at a cumulative annual rate of 6.3 per cent and the latter at 5.6 per cent. The factory and artisan strata also showed different growth rate in each of the divisions. The artisan stratum grew more slowly than the factory stratum of the same division in both cases, with rates of 5.3 per cent in the food division and 3.2 per cent in all others. The growth rates of the divisions as a whole were as shown in table 1.

Table 1

BOLIVIA: EVOLUTION OF MANUFACTURING PRODUCTION.  
GROSS PRODUCTION VALUES IN MILLIONS OF  
PESOS BOLIVIANOS AT 1958 PRICES

	1958	1959	1960	1961	1962	1963	1964	Rate
Food industry	210.2	195.4	205.6	216.4	234.8	262.2	304.0	6.3
Other industry	619.8	641.5	697.0	681.2	750.0	787.0	860.4	5.6
<u>Total for manufacturing industry</u>	<u>830.0</u>	<u>836.9</u>	<u>902.6</u>	<u>897.6</u>	<u>984.8</u>	<u>1 049.2</u>	<u>1 164.4</u>	<u>5.8</u>

Source: National Planning and Co-ordination Secretariat's estimates.  
Two-Year Industrial Plan 1965-1966.

/The different

The different growth rates of the factory strata, as also their evolution during 1961-64, were primarily due to large increases in sugar and cement production and to the establishment of new productions such as matches and lubricating oils.

The following table shows the evolution and relative importance of the industrial product between 1958 and 1965.

Table 2

BOLIVIA: EVOLUTION OF THE GROSS DOMESTIC AND GROSS INDUSTRIAL PRODUCTS

(Millions of pesos bolivianos of 1958)

Years	Gross domestic product	Index g.d.p. base: 1950	Gross industrial product	Index g.i.p. base: 1950	Contribution of industry to the g.d.p. (percentage)
1958	3 361.3	100.0	375.5	100.0	11.17
1959	3 350.3	99.7	379.2	101.0	11.32
1960	3 493.9	103.9	409.2	109.0	11.71
1961	3 567.3	106.1	406.5	108.2	11.40
1962	3 765.8	112.0	446.1	118.8	11.85
1963	4 008.3	119.2	474.8	126.4	11.85
1964	4 228.7	125.8	526.5	140.2	12.45
1965	4 405.9	131.1	547.7	143.8	12.43

Source: National Planning and Co-ordination Secretariat.

/Table 3

Table 3

BOLIVIA: ESTIMATES OF THE EVOLUTION AND COMPOSITION  
OF THE GROSS DOMESTIC PRODUCT

(Thousands of pesos bolivianos 1958)

Sectors	1958	1960	1962	1964	1965 <sup>a/</sup>
Agricultural	1 066 077	1 083 990	1 125 907	1 212 795	1 196 000
Mining	315 306	294 770	319 522	382 834	400 800
Petroleum	133 607	137 593	140 132	162 537	171 200
Food industries	89 397	87 431	99 848	129 275	134 460
Other industries	289 135	321 775	346 243	397 210	413 240
Electricity	52 029	48 709	57 078	66 721	9 700
Transport	285 460	295 896	314 303	358 547	332 500
Trade and finance	430 376	454 338	480 718	543 475	563 600
Building	121 806	141 194	146 958	176 425	220 500
Other services	323 330	353 600	388 327	427 316	446 500
General government	257 805	274 562	346 748	371 755	417 400
Gross domestic product	3 361 318	3 493 867	3 765 784	4 228 700	4 405 900
Population (units)	3 630 200	3 842 500	4 018 700	4 225 600	4 331 240
g.d.p. per head (pesos)	920.86	913.55	937.07	1 000.73	1 017.24
g.d.p. per head (dollars)	96.93	96.16	98.64	105.34	107.08
Growth indexes:					
Total g.d.p.	100	103.9	112.03	125.80	131.03
g.d.p. per head	100	99.21	101.76	108.67	110.47

Source: National Planning and Co-ordination Secretariat.

<sup>a/</sup> Provisional data.

2. Industrial employment in the total active population

The table below gives the figures of manpower employed in factory activity and their relative importance in the total active population.

Table 4

BOLIVIA: ANNUAL AVERAGE OF EMPLOYMENT IN BOLIVIAN INDUSTRIAL ESTABLISHMENTS

(Values in pesos bolivianos)

	Number of employed	Percentage of active population	Total compensations
1958	20 509	0.61	53 139 596
1959	18 572	0.54	59 162 960
1960	16 315	0.47	73 790 271
1961	16 903	0.48	84 833 400
1962	17 478	0.49	92 893 381
1963 <sup>a/</sup>	18 118	0.50	102 816 743
1964	18 851	0.50	111 771 162

Source: National Statistics Bureau.

<sup>a/</sup> Estimates of the National Chamber of Industries.

A continual decrease in employment levels appears in the last years of the decade and is followed by a gradual increase, which does not, however, reach earlier levels. In relative terms employment in the factory stratum remains at about half of one per cent of the total active population, and appears to be stagnant.

3. The contribution of the chief branches of industry to the total value of manufacturing production. Manpower

The fact that there is no industrial census and very little statistical information hinders analysis and interpretation of the contributions of the chief industries to overall production values.

The table below gives the quantum of production and of employed manpower in six of the most representative industries, namely cotton fabrics, wool, wheat flour, beer, tobacco, and cement, during 1958-1964.

/Table 5

Table 5

BOLIVIA: MANPOWER PRODUCTIVITY IN SIX IMPORTANT  
BOLIVIAN INDUSTRIES

	1958	1960	1962	1964	
<b>Cotton fabrics:</b>					
Production (thousand metres)	8 221	9 033	9 010	9 673	17.7
Employment	1 569	1 409	1 271	1 253	-20.1
Production per person (metres)	5 239	6 411	7 089	7 720	47.4
<b>Woollen fabrics:</b>					
Production (thousand metres)	916	920	835	866	-5.5
Employment	1 686	1 560	1 508	1 258	-25.4
Production per person (metres)	543	590	554	689	26.9
<b>Wheat flour:</b>					
Production (tons)	18 691	6 080	6 667	14 275	-23.6
Employment	516	417	338	200	-61.2
Production per person (tons)	36	15	20	71	97.2
<b>Beer:</b>					
Production (thousand litres)	19 625	17 557	21 553	26 445	34.8
Employment	1 219	1 136	1 032	1 075	-11.8
Production per person (litres)	16 099	15 455	20 885	24 600	52.8
<b>Cigarettes:</b>					
Production (thousand packets)	2 045	2 245	2 281	5 512	169.5
Employment	137	142	121	121	-11.7
Production per person (thousand packets)	15	16	19	46	206.7
<b>Cement:</b>					
Production (tons)	28 904	40 125	49 429	65 231	125.7
Employment	257	276	265	280	8.9
Production per person (tons)	112	145	187	233	108.0

Source: National Statistics Bureau - Bulletin 90. Pp. 83 and 84.

/As regards

As regards the production of these industries, cotton fabrics, beer, cigarettes, and cement grew by 17.7 per cent, 34.8 per cent, 169.5 per cent, and 125.7 per cent respectively. That of woollen fabrics and wheat flour decreased, however, by 5.5 and 23.6 per cent respectively.

As regards employment, there were decreases in the first 5 branches and an 8.9 per cent increase in cement. There has therefore been larger production with smaller manpower participation, which implies that the human element in manufacturing activity has been partly displaced by higher productivity of machinery.

#### 4. Characteristics of foreign trade with reference to the manufacturing sector

##### (a) Imports

While imports as a whole increased by 29 per cent during 1958-64 those of the five categories of the table below grew by much more. Thus, those of categories II and III, which comprise manufactured food products and raw materials, grew by over 50 per cent during the period; those of categories IV and V increased by about the general average. Since the two former categories include the most easily substitutable articles it is clear that the import substitution process has not been intense enough to have a favourable effect on the balance of payments. An upward trend in imports resulting from insufficient import controls is a characteristic feature of this period.

##### (b) Exports

At present there are practically no exports of manufactured end products. If such exports are to be developed the series of factors which prevent domestic products from being to any degree competitive in external markets must be eliminated. These factors have to a large extent isolated Bolivia from the regional markets. A regular flow of manufacturing exports has not yet been achieved, they are made in a sporadic fashion with marked differences from one year to the next. In 1958 the value of these exports was about 129 thousand dollars, or 0.2 per cent of the value of all exports, and in 1964 approximately 4 million dollars, or 3.5 per cent. Table 7 gives a breakdown of Bolivian exports by categories. The enormous percentage of

/raw material

raw material exports in the total is at once evident; these largely consist of materials of extractive origin, a field which presents favourable export prospects and, consequently, as soon as a higher degree of fabrication can be achieved for its products, equally favourable prospects of industrial development.

Table 6

BOLIVIA: VALUE OF IMPORTS

(Thousands of dollars)

Years	Category I Live animals	Category II Food products	Category III Raw materials	Categories IV and V Manufactured goods	Total
1958	193	15 273	4 742	59 404	79 592
1959	36	16 011	4 970	53 969	64 986
1960	44	13 871	5 892	51 655	71 477
1961	146	18 861	5 500	53 215	77 686
1962 <sup>a/</sup>	2 624	21 895	9 141	64 066	97 726
1963	5 046	22 483	7 801	68 444	103 774
1964	680	22 976	7 234	71 831	102 721
1965					133 945

Source: National Statistics Bureau.

<sup>a/</sup> The Brussels Tariff Nomenclature is here used to classify imports.

Table 7

BOLIVIA: VALUE OF EXPORTS  
(Thousands of dollars)

Years	Category I	Category II		Category III		Category IV		Category V		Totals	
	Live animals	Food products		Raw materials		Manufactured articles		Gold and silver		Value	Percentage
	Value	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage
1958	8	969	1.5	56 830	87.8	129	0.2	6 801	10.5	64 737	100
1959	64	1 935	2.5	63 695	89.8	631	0.8	5 310	6.8	77 635	100
1960	58	2 332	3.4	59 200	87.3	200	0.3	6 038	8.9	67 828	100
1961	98	2 407	3.2	66 875	87.4	364	0.5	6 392	8.4	76 136	100
1962	92	2 469	3.2	67 954	89.3	465	0.6	5 143	6.8	76 123	100
1963	92	1 673	1.9	72 724	84.2	663	0.8	11 252	13.0	86 404	100
1964	21	2 889	2.5	99 036	87.0	3 949	3.5	7 942	7.0	113 837	100
1965										131 836	100

Source: National Statistics Bureau.

5. Financing of manufacturing industry

(a) Estimate of the adequacy of the industrial enterprises' depreciation reserves

Taking into account that the largest volume of investment in industry especially as regards the textiles, food products and footwear branches, was made at the end of the '30's, it is estimated that, in spite of the inflation after the Chaco war, reserves for depreciation enabled the value of the industrial installations financed by these investments to be amortized at the end of 1950. It might also have been expected that these reserves would be sufficient for an active process of modernization and replacement of installations to be carried out between 1950 and 1960. However, the acute inflation of the decade and the rising prices of capital goods made them hopelessly inadequate for this purpose. The resources available for replacement were further diminished by the transfer of large capital sums to more profitable activities such as the import trade and by the outflow of domestic capital to foreign countries.

In this connexion it is worth remarking that depreciation allowances are determined according to a permanent accounting principle involving application of a scale of depreciations established in the Mercantile Code. In order to encourage the reinvestment process the Investments Law of 1965 authorizes a faster depreciation rate for both domestic and foreign investments. A comparison of the two scales of depreciation is given below.

Item	Investment Law	Mercantile Code
Buildings and structures	10	5
Machinery and equipment	20	10
Furniture and chattels	20	10
Vehicles and transport equipment	20	20

/The entrepreneurs

The entrepreneurs tend so often to use their own resources or those obtained from loans for purposes quite other than expansion, replacement and improvement of their installations that some bank agencies, including private ones, require that at least 40 per cent of the loans they grant should be used on fixed capital.

(b) Trend in uses of the profits of industrial enterprises

There is not enough factual and statistical information available for a quantitative assessment of the trend in uses of profits among industrial enterprises. However, from the experience of the Industrial Bank S.A. it appears that about 20 per cent of the industrial enterprises which have had recourse to its financial assistance use roughly 80 per cent of their profits to increase their stock of capital. Besides this, there are loan programmes (e.g. the Industrial Rehabilitation Programme) which establish as a basic requirement that all profits should be reinvested during the period of duration of the loan.

(c) Some indicators of the securities market during the last few years, such as value of total transactions and of industrial transactions, index of quotations of industrial shares, etc.

Since stock companies in Bolivia are still at an incipient stage of development there is as yet no stock exchange machinery through which indicators of this type could be known. The government is now studying a bill for the creation of a stock exchange, a measure proposed by the Finance Ministry and the planning organizations as a means of encouraging the formation of stock companies and channelling private savings into economic activities.

(d) Financing of the bank system

The portfolio balances of the main bank agencies have been continually increasing from 1959 to the present, and especially so since 1963. This increase was the result of a series of measures adopted in the former year with the aim of producing a real expansion of credit. These included reduction of the obligatory legal reserve percentages, reduction of interest and discount rates and more appropriate regulations for penal interests and renewal commissions. It was also in some measure due to the psychological effects of the general improvement in the economic situation, which produced a marked increase in deposits by the general public.

Taken as a whole, portfolio balances for loans to the industrial sector rose by 43 per cent in 1959-1965. The increase in the private banks (31 per cent) was lower than that of the whole and that of the central bank higher (54 per cent). The increase in the latter was partly due to the inclusion in 1963 of funds for industrial rehabilitation which had previously been entered as accounts which do not affect the balance, and to that extent it does not constitute a real expansion of credit.

(See table 8.)

/Table 8

Table 8

BOLIVIA: CLASSIFICATION OF PORTFOLIO BALANCES OF  
THE BOLIVIAN BANKS, 1959-1965

(Thousands of pesos bolivianos)

Institutions	December 1959	December 1961	December 1963	December 1964	June 1965 <sup>a/</sup>	Accumulated Total
<b>1. Central Bank of Bolivia</b>						
Industrial	10 631.3	10 810.4	54 426.9	88 327.0	12 432.1	197 931.4
Others	17 821.2	16 379.1	16 449.7	20 754.2	69 196.5	173 985.5
<u>Sub-total</u>	<u>28 452.5</u>	<u>27 189.5</u>	<u>70 876.6</u>	<u>109 081.2</u>	<u>81 628.6</u>	<u>371 916.9</u>
<b>2. Industrial Bank S.A.</b>						
Industrial	-	-	1 158.9	10 732.5	14 915.0	26 806.5
Others	-	-	-	-	-	-
<u>Sub-total</u>	-	-	<u>1 158.9</u>	<u>10 732.5</u>	<u>14 915.0</u>	<u>26 806.5</u>
<b>3. Private banks</b>						
Industrial	12 597.2	16 643.4	23 963.8	28 527.4	30 070.1	147 305.1
Others	24 015.4	46 029.6	52 715.2	62 567.6	65 672.9	324 175.6
<u>Sub-total</u>	<u>36 612.6</u>	<u>62 673.0</u>	<u>76 679.0</u>	<u>91 095.0</u>	<u>95 743.0</u>	<u>471 980.7</u>
<b>Consolidation</b>						
Industrial	23 228.5	27 453.8	79 549.6	127 586.9	57 417.2	372 543.0
Others	41 836.6	62 408.7	69 164.9	83 321.8	134 869.4	498 161.1
<u>Total</u>	<u>65 065.1</u>	<u>89 862.5</u>	<u>148 714.5</u>	<u>210 908.7</u>	<u>192 286.6</u>	<u>870 704.1</u>

Source: Bank statistics of the Bank Superintendency.

a/ End of the half-year.

### Chapter III

#### PLANS AND PROGRAMMES FOR INDUSTRIAL DEVELOPMENT

##### 1. The general strategy of industrial development in Bolivia

Bolivia's industrial development has been greatly affected by the following factors:

- (a) Unequal income distribution, particularly as between the rural and urban districts;
- (b) The agricultural sector's inability to achieve rapid production growth and its low productivity;
- (c) The frequent fluctuations in foreign trade and, particularly, the changes in the prices of Bolivian mineral exports, which in practice constitute its only source of foreign exchange;
- (d) The lack of any adequate and stable policy for stimulating development;
- (e) The structural limitations resulting from the narrowness of the consumer market and the heavy concentration of manpower (67 per cent) in primary subsistence activities.

As Bolivia has a predominantly mining economy the role which has been assigned to industry is that of facilitating the structural changes needed for development in order that the externally very vulnerable mining economy can be transformed into a stable economic structure to which the agricultural and industrial sectors make larger contributions than at present. For this they must raise their present productivity levels.

There is still ample room for import substitution, particularly of consumer and intermediate goods, through which this objective can be achieved; apart from this, the traditional exports could be diversified by mobilizing Bolivia's natural resources.

/2. Industrial

## 2. Industrial programming

The two-year industrial development programmes which have been produced since 1963 were prepared in conformity with the guiding principles of the Ten-Year Development Plan. While elaborate programming instruments were used for the latter, the short-term programmes, particularly that for 1965-1966, were based on concrete objectives relating to better use of industrial installations, improvement of the economies of the enterprises and recovery of former production levels, which would serve as platform from which to launch more ambitious industrialization programmes. On this basis the outlines of an economic and incentives policy for overcoming the stagnation and creating the conditions needed for expansion were laid down.

It cannot be denied that in carrying out the industrial plans, difficulties of both internal and external origin were met with. Some of the more important of these were:

- (a) Lack of an economic policy which could back up the planning process and be consulted on suitable occasions at the decision making level.
- (b) Lack of fully detailed projects ready to be carried out.
- (c) Shortage of external resources and poor co-ordination in the management of financing.
- (d) Lack of internal savings.

In spite of these limitations a recent preliminary assessment of the industrial plans showed that very many of the projects - particularly the small-scale ones - and of the economic policy measures proposed have been carried out.

Industry is at present regulated by a number of legal provisions whose application is under the central control of the National Department of Industries, a dependency of the Ministry of Economic Affairs.

The Investment Law authorizes the granting of certain privileges for establishment of new industrial activities.

There is only one organization responsible for formulating sectoral industrial plans, namely the National Planning and Co-ordination Secretariat, which is a dependency of the Presidency of the Republic.

/The Executive

The Executive may occasionally appoint mixed, interministerial, public, or private commissions to make special studies of a branch of industry or of a specific commodity.

Unfortunately there is still no supervising organization, which creates serious difficulties for the final assessment of results.

### 3. Competent authorities in the field of industry

#### (a) Organizations with executive responsibility

The table below lists all the organizations responsible for the execution of industrial plans according to their different functions. In this table the following functions have been taken into account.

- (i) Preparation of plans and programmes;
- (ii) Preparation of specific projects;
- (iii) Assessment of projects (private and state);
- (iv) Execution of works;
- (v) Financial organizations;
- (vi) Institutions which collect taxes or grant exemptions;
- (vii) Organizations providing advisory services for industry;
- (viii) Organizations which prepare registers and statistics;
- (ix) Organizations which provide industrial education at the higher and at the manpower training levels.

#### (b) Organizations with administrative responsibility

In this connexion the General Department of Industries may be mentioned. It is a dependency of the Ministry of Economic Affairs and has the following functions:

- (i) To license the establishment of new industries;
- (ii) To make a registry of existing industries;
- (iii) To centralize statistical information;
- (iv) To inspect industries and make specific reports;
- (v) To give advice on industrial problems;
- (vi) To promote measures for developing raw material supplies;
- (vii) To develop and enforce standards for industrial goods.

The General Department of Industries is under a national director and has three departments: registers, technical, and economic.

Table 9.

## BOLIVIA: ORGANIZATIONS WITH DIRECT RESPONSIBILITIES IN THE INDUSTRIAL FIELD

Organizations	Functions	Planning	Projects	Asses- ment	Execu- tion	Financing	Tax exemption	Advisory	Regis- tration statis- tics	Training	Co- ordination
Nat. Planning and Co-ordination Secretariat		X		X				X	X		X
Bolivian Development Corporation: Enterprises			X	X	X			X			X
Bolivian Development Corporation: Credits			X	X		X		X	X		X
Bolivian Development Corporation: Pre-investment			X	X				X	X		
Minister of Economic Affairs: General Department of Industries				X				X	X		X
Investment Promotions Institute (INPIBOL)			X	X			X				X
Central Bank			X		X						
Industrial Bank			X	X	X						
Chamber of Industries								X	X		X
Bolivian Productivity Centre								X		X	
Army Engineering Command		X	X	X	X						
Ministry of Finance						X	X		X		X
Universities										X	
Industrial schools										X	
Mayor's offices			X	X	X		X			X	
Private Banks			X	X	X	X					
Private enterprises			X		X						

Source: Industrial section of the Economic and Social Development Plan.

(c) Legislation for licenses to instal new industries

The Investments Law, which is intended to encourage investments in productive activities of the country, was established in October 1965 under Decree N° 07366. (See Chapter V, annex I.)

The Institute for Promoting Investments in Bolivia (INPIBOL) was created as the organization responsible for applying this law and its supplementary regulations. It is presided over by the Minister of Economic Affairs and has representatives of the Planning and Co-ordination Secretariat and of the private sector working at the centre of its activities.

The Investments Law establishes that the following incentives may be granted to enterprises which have been previously approved and registered.

- (i) Exemptions from customs duties, including charges on services rendered for imported machinery and spare parts;
- (ii) Reduced stamp duty for deeds of capital constitution, transfer and increment;
- (iii) Exemptions from gains taxes varying according to the percentage of domestic raw materials used by the enterprise;
- (iv) Right to benefit from the accelerated annual depreciations régime;
- (v) Exemptions from taxes and royalties on revaluation of fixed assets when there are variations in the rate of exchange;
- (vi) Exemption from export duties and royalties on new export products;
- (vii) Other incentives of less importance.

The Institute for Promoting Investments in Bolivia's functions are:

- (i) To promote investments;
- (ii) To provide assistance;
- (iii) Investment control and statistics.

(d) Organizations which implement industrial plans and background material for decision making in practice

At the time when the economic and social development plan was formulated the different entities responsible for carrying it out were consulted; as a result no less than 103 projects and economic policy measures were produced by such sources. These projects and measures are all subject to assessment by the National Planning and Co-ordination Secretariat.

/The most

The most important of the organizations which apply the industrial plans are:

- (i) The Bolivian Development Corporation, as government agent in carrying out works;
- (ii) The Army Engineering Command;
- (iii) The Industrial Bank, in its capacity of private financing enterprise;
- (iv) Private enterprises with or without assistance from INPIBOL.

When the industrial works are of great importance the Executive, after consulting with the National Development Council,<sup>1/</sup> dictates a decree determining the conditions, rights, obligations and securities necessary.

Not long ago a new department was created in the National Planning and Co-ordination Secretariat, namely, the Central Projects Assessment Department. In future this department will assess all projects in the stage of initial conception, before studies are made, and will subsequently evaluate the studies before action is taken, and will thus be able to incorporate suitable projects into the plans.

Industrial economic policy measures will be studied and assessed in the industrial sector by a department of the Planning and Co-ordination Secretariat, the Department of the Productive Sectors, and subsequently submitted to the National Development and Stabilization Council for its approval.

#### 4. Sectoral programmes and organizations with sectoral responsibilities

Programmes and projects generally originate in the organizations listed in the previous table and are then transmitted to the Planning and Co-ordination Secretariat which first brings them into conformity with those of other sectors and then assesses them so as to determine

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<sup>1/</sup> By Decree No. 07815 of the 20th September 1966 this organization and the Monetary Stabilization Council were merged to form the National Development and Stabilization Council, designated as the sole central organization which may guide and advise the Government on the right measures to be adopted in questions of economic, financial and promotion policy. (See annexes.)

/whether they

whether they should be included in the development plans. The different departments of the Secretariat are directly responsible for compiling information on private sector projects.

The Secretariat also has the right to suggest to the public and private sectors that projects originating from its own research and studies should be incorporated into their plans. It is hoped that in the near future the organizations recently created, such as the National Development and Stabilization Council, the department of pre-investment for feasibility studies and the National Projects Assessment Department will provide a machinery for subjecting these suggestions to adequate consideration and processing.

Executive responsibilities for sectoral programmes are established by particular legal provisions decreed by the Executive and lie with development institutions such as the Bolivian Development Corporation, with other public sector enterprises and with private investors and entrepreneurs.

##### 5. The role of private initiative in industrial programming

Private initiative attended meetings and submitted documents in the preliminary stages of the preparation of the three economic and social development plans, the actual formulation of these was in the hands of the Planning and Co-ordination Secretariat. This system was applied in the preparation of the general plans as well as those specifically for industry.

If the plans made are to be realistic and are to cover all important aspects of industry it is essential that in future the private sector should play a greater part in their programming and preparation.

## Chapter IV

### POLICY MEASURES FOR INDUSTRIAL DEVELOPMENT

#### 1. Tarriff protection for industry

##### (a) General characteristics of the standing import tarriff

###### (i) Product classification

The import tarriffs of 1920 to 1958 followed the 1913 Brussels classification.

On the basis of the Explanatory Notes to the 1955 Brussels Nomenclature Bolivia adopted in May 1961, a classification by commercial characteristics and technical composition of products which corresponds to the needs of modern customs terminology.

The tarriff structure contains sub-items with descriptive specifications which are sometimes further broken down into numbered sub-specifications. The first two digits of the items correspond to the chapter of the respective section, which is of a declarative nature; the next two define with concise phrases the classes of products which are included within the first two; the third pair define the group which by methodological distinction contains the articles comprised in the item; and the last pair give specific characteristics of the product.

The inclusion of a greater number of characteristics under the numbers of the tarriff sub-items helps the exporter in his dealings with other countries by providing concrete and precise nomenclature for use in the respective commercial invoices.

From the experience gained from application of the 1961 tarriff, the terms which gave rise to problems of interpretation such as "and all others" and "unspecified" were practically eliminated from the 1965 text.

For the purposes of tarriff standardization the dutiable value was taken as the price c.i.f. which includes the following factors:

- The price of the merchandise in the market of purchase or origin.
- The value of the packing used in shipment.
- Transport and freight costs from the point of embarkation to the transit port or frontier point of entry.

/- The amount

- The amount of the premiums paid to the insurer in the foreign country concerned,
- The value of the commissions or brokerages granted by the producers to the sellers and of the total, in foreign currency, of all other payments for the internment of the merchandise, as for stamped paper, legal formalities and other expenses of this type.

As regards the units on which the tarriff charges are made, the usual, universally adopted terms, such as "gross weight", "packed weight", "per unit", "book", etc. are used.

(ii) Regulations for customs duties

- Standardization. Customs duties are fixed in terms of specific, ad valorem and mixed rates, with a further rate known as the "additional rate".
- Non-durable consumer goods and articles of prime necessity. In this heading the duties were exhaustively analyzed and while the earlier rates were kept for products without domestic substitutes they were made almost prohibitively high for those, such as rice, sugar, coffee, vegetables and other similar products, in which the country has become self-sufficient.
- Raw materials and other input products needed for domestic industry. Considerable reductions have been made, in some cases in the customs duties and in others in the additional rate. This is intended to contribute towards reductions of costs and thus to improve the competitive position of domestic production. Since the inputs used by industry are very diverse not all have undergone this reduction; most, however, are subject to the 1961 charges.
- Machinery and supplies for industrial maintenance. The whole of this heading apart from some few products which are not indispensable for development is free of customs duties. The additional rate involves a charge of only 2 per cent ad valorem.

/- Transport

- Transport material. The heading for railway transport material is subject to no customs duties. These goods nominally pay an additional charge of 2 per cent ad valorem. In the vehicles heading (cars, bicycles and other land vehicles), a progressive tariff scale and uniform additional system applies in relation to the use for which the vehicle is intended or to certain characteristics which constitute it as a vehicle of multiple applications. Tractors are usually free of duty, and articles belonging to the heading for marine and river navigation, with the exception of those for pleasure purposes, are always so.
- Products of normal consumption and products for processing. From their composition and secondary social function some items of the former are subject to high rates. Products intended for processing, improvement, cutting or further manufacture are subject to an optional or contingent system involving specific reductions granted for each case by the Ministry of Finance.
- Merchandise which is designated as superfluous and effects or articles which compete with or substitute products of domestic industry. A varied range of articles is comprised under this title; almost all are subject to prohibitive protective duties. From this outline it is obvious that the standing tariff has a protectionist tendency, even though its effectiveness as an instrument of development is still small and its results are still assessed in terms of the sums collected from it. As a result of the change in the tariff structure, a parallel readjustment of the administrative machinery for its application and for the collection of duties was put into effect.

(b) Methodology of standards and rules

(i) Procedural aspects. Customs duties must be paid with a deposit in the Central Bank before recognition and clearance of the merchandise. The certificate of this institution together with the commercial invoice duly stamped and signed by the Bolivian consulate of the place of origin or embarkation of the merchandise and the corresponding freight bill must be presented. Duties may not be paid with bills of exchange in the form of compensations under provisional clearance arrangements or under arrangements to pay at some future date.

(ii) Charges. The definition used for the charges are: the "tariff", a specific duty on the physical volume of the merchandise, which may be in terms of kilogrammes "gross" or "packed" weight, or of "dozens", "pairs" rate; "ad valorem", a rate charged on the value c.i.f. of the point of entry; "mixed", if the merchandise is subject to both these together. The additional rate is a percentage rate which has resulted from the fusion of the two additional rates in force until the present tariff was put into effect and includes the result of the arithmetical incidence which emerges from the formulas used to determine it in the first place for the first thirty days of services rendered. For the following months or fraction of them a separate charge is made for services rendered from which merchandise stored with administrative permission in private warehouses is not exempt. The maximum period for which merchandise may be stored in state warehouses is one calendar year, at the expiry of which it is liable to sale by public auction. The amount of the duties in force at the date of the expiry plus the sums spent on its stowage or preservation are taken as its base price in the auction; if anything remains after auction it is at the disposal of the consignee for the term of one year or more. If it is not reclaimed within this period it is consolidated in favour of the State.

/(c) Privileges.

(c) Privileges

As regards merchandise receiving exemption privileges the tariff and additional rates are applied for reference purposes only. These privileges are confined to:

- (i) Imports for use by the foreign diplomatic corps under reciprocal agreement and by Bolivian staff returning to the country after completing their tour of duty.
- (ii) Imports for use by entities or legally constituted bodies especially mentioned in international pacts, agreements or treaties, in contracts signed by the Government, and in legal provisions made for the benefit of government departments whose investment or reinvestment capital it is desired to protect.
- (iii) Imports needed for the economic promotion of certain regions of the country or essential activities such as mining and the petroleum industry. These exemptions have been partly established by INPIBOL (Institute for Promoting Investment in Bolivia), which is authorized to decide what securities are needed for private capital invested in the country and to establish express exemptions from duty for specific merchandise.
- (iv) The baggage, whether or not accompanied, of bona-fide travellers. Objects for use and consumption by international passengers provided with official tourist cards.

These exemptions, depending on their importance, are sometimes applied automatically under mandate of the tariff and at others on the basis of express ministerial resolutions.

(d) Import of the following articles is prohibited (imports being liable to confiscation or destruction):

1. Sacks of metal without the inscription "made in Bolivia" and the national shield.
2. Daggers, truncheons, sabres and other objects with dagger blades, bolases, knuckledusters, stilettoes, rapiers, steel arms and fire arms in general.
3. Pharmaceutical products or medicines whose composition and formulae are unregistered and those for which the health authorities have made an application of ban.
4. Beverages and food products which are decomposing, are adulterated or contain substances harmful to health.

/5. Absinth

5. Absinth and absinth liquours.
  6. Diseased animals.
  7. Plants, fruits, seeds and other vegetable products which contain dangerous germs or parasites or which are declared harmful by the authorities of the Ministry of Agriculture.
  8. Coins or paper money whose minting has not been authorized by the government.
  9. Counterfeit coins or paper money.
  10. Foreign lottery tickets.
  11. Advertisements imitating coins and bank bills, postage stamps and other fiscal stamps, excepting numismatic and philatelic catalogues.
  12. Obscene and pornographic books, pamphlets and other printed material, paintings, illustrations, figures and objects.
  13. Roulette wheels, machines and other equipment which serve for distributing money or merchandise through chance.
  14. Labels and tickets for merchandise whose trade mark is registered in Bolivia, unless imported by the manufacturers or their properly authorized representatives.
  15. Labels, metal caps, corks or other bottle tops or means of identification with trade marks of foreign beverages, unless imported simultaneously with the respective merchandise.
  16. Merchandise with the Bolivian seal and flag.
  17. Products with trade marks registered by Bolivian industry.
  18. Used clothing without a sanitary certificate of origin (except for baggage) and
  19. Used footgear and hats.
- (e) Imports subject to previous permission

The import of certain foreign products requires authorization or express permission from the following authorities:

(i) The Ministry of Mines and Petroleum:

- Crude petroleum, aviation gasoline, regular gasoline, kerosene and its derivatives, with the exception of fuel-oil;
- Petroleum gas, gaseous hydrocarbons and other derivatives;

/- Machinery

- Machinery and equipment for the separation, refining, storing, transport and/or commercialization of gases and hydrocarbons;
- Lubricating oils of the types which are produced in the country.

(ii) The Ministry of National Defense:

- Fire arms, munitions and explosives; materials and machinery for their manufacture;
- Armaments, munitions, equipment, armoured or arms-carrying vehicles, machinery or materials for their construction, which may be imported only by the Ministry of National Defense;
- Powder, dynamite, gelignite and other explosives; cartridge shells, percussion caps and detonators for the same, materials, equipment and machinery for their manufacture.

(iii) The Ministry of Public Health:

- Raw and medicinal opium in all its forms, alkaloids derived from opium, morphine derivatives, raw cocaine, its preparations and salts, Indian hemp, medical products derived from the alkaloids mentioned.
- Pharmaceutical specialties and patent medicines, previously registered.
- Harmless colouring for beverages and foods, and essences used in the preparation of liquors and wines as ready-made bases or concentrated extracts.
- Dietetic foods.

(iv) The Ministry of Finance:

- Coins and paper money to be put into circulation, machines and equipment for the manufacture of coins and paper money for circulation bonds, licenses, stamps, mortgages, stocks, official stamp paper, insurance policies, deeds and other securities which may be imported only for the exclusive use of the institutions or departments responsible for their emission;
- Machines, apparatus and materials for the manufacture of alcohols and spirits.

/(v) The

(v) The Ministry of Economic Affairs:

- Live cattle.
- Fresh edible meat, refrigerated or frozen.
- Grain for milling.
- Rice.
- Wheat flour.
- Beet and cane sugars.
- Molasses, including brown sugar.
- Barium sulphate (heavy spar).
- Uncarded and uncombed cotton.
- Machines, apparatus, electric generators, tractors, motor vehicles and other Diesel-powered equipment.

(vi) The Ministry of Communications:

Radio, telegraphic, telephonic and television transmitters.

Imports of matches and materials, machinery and equipment for their manufacture, may only be made by the National Matches Factory, with the authorization of the Ministries of Finance and Economic Affairs.

The import of live animals, plants, fruits and roots in their natural state, requires a certificate of animal or vegetable health, issued by the authorities of the country of origin, and the permission of the Ministry of Agriculture. In general, food is imported accompanied by certificates of origin which attest to their suitability for consumption and is inspected by officials of the Ministry of Public Health at the time of its customs clearance.

(f) Temporary admission of merchandise

The temporary admission of merchandise is permitted in the following circumstances for a period of 180 days on condition that it is re-exported.

- (i) Commercial samples of travelling representatives.
- (ii) Equipment, musical instruments, scenery and properties for public spectacles.
- (iii) Equipment for public entertainment.
- (iv) Machinery or parts brought in for repair.
- (v) Vehicles with an official entrance or transit permit or international customs pass.

/(vi) Material

- (vi) Material for lectures or exhibitions.
- (vii) Equipment, machines and instruments, for demonstration or exhibition.
- (viii) Instruments, tools and travelling equipment for scientific or tourist expeditions.
- (ix) Air, rail or other material for rescue operations in the country.
- (x) Machines and equipment for specific projects such as filming, road building, airport construction, dredging of rivers, laying of oil gas or water pipes, belonging to firms or persons under contract with the State or its departments.
- (xi) Aircraft entering the country temporarily with direct permission from the Civil Aviation Department.

The return to the country of Bolivian products which have been used as exhibition samples is also exempt from duty.

(g) Modification of customs duties

The Executive has the power to modify customs duties, whether it be to protect the country's industry, to meet internal consumption needs or protect its financial interests.

It can prohibit, limit and regulate the import and authorize the confiscation of any merchandise in case of war, in the interests of security and public order, and human health and that of animals and plants, in order to counteract measures and effects of foreign origin which are prejudicial to Bolivian commerce and industry and to prevent speculation in the country.

The Ministry of Finance is empowered to:

- (i) Fix duties on merchandise whose classification is in doubt, according to the Brussels Nomenclature of the European Economic Community.
- (ii) Grant duty exemptions or reductions within the legally established limits and conditions, and refuse such exemptions or reductions duties if domestic production satisfies local demand in quality and quantity.
- (iii) For statistical reasons, create or abolish tariff items and sub-items, but without changing the rates.

/(iv) Regulate

- (iv) Regulate customs transactions and the application of duties.
- (v) Determine the tax régime for border towns and the minimum prices on which customs duties must be levied in order to safeguard the fiscal interests.
- (vi) Convert ad valorem rates into specific ones, or vice versa without changing their incidence.

(h) The tariff and industrial development

As was mentioned above, the Ministry of Finance is the main branch of the Executive with the power to impose regulations, modifications and interpretations of the tariff.

Private industry and commerce, as well as public departments may suggest to the ministry the tariff amendments they consider necessary. After careful examination by the Technical Department of the Customs, suitable draft amendments are formulated. The planning agencies do not take part in formulating the tariff but legal channels exist for using it in benefit of future development.

2. Industrial credit policy

(a) Industrial credit procedures

There are two forms of checking that can be carried out before granting industrial credit: the classic one, which consists of a cursory examination of the economic and financial position of the applicant, and assurances as to his moral responsibility and reputation based on references.

The other method consists of carrying out a thorough investigation of both the economic and financial circumstances of the applicant and the technical and administrative characteristics of his firm.

Finance agencies have used both methods indiscriminately, with a certain leaning toward the former, particularly in the period of inflation when there was great political and social pressure on credit, especially that of the central and development banks.

As this pressure lessened, from 1963 on, a tendency toward less subjective examination could be observed.

/(b) Institutions

(b) Institutions for administering industrial credit

There are three institutions that operate officially in industrial credit:

- (i) The Credit Department of the Bolivian Development Corporation (CBF);
- (ii) The private organization Banco Industrial Sociedad Anónima (BISA);
- (iii) The Industrial Credit Department of the Central Bank of Bolivia; plus
- (iv) The private banking of the country, which provides short-term loans for working capital and trade in general.

As regards flexibility of operations, the procedures and conditions are similar in both public and private institutions differing only in that the former grant loans to types of businesses recommended by the national economic development plans while the private banks do not discriminate in this respect.

(c) Financial resources for industrial development, in their classifications and different existing channels

Table 10

BOLIVIA: FINANCIAL RESOURCES FOR INDUSTRIAL DEVELOPMENT

(In Dollars)

Borrowing Institution	Financial Source	Loan	Amount
CBF	IDB	Global SF-1-B	10 000 000
CBF	Japan	C. Itoh	4 900 000
CBF	IDB	2nd Global	12 000 000 <u>a/</u>
BISA	SIC	unnamed	3 000 000 <u>b/</u>
BISA	Private	unnamed	500 000
BISA	IDB	unnamed	1 000 000
Banco Central	Government	unnamed	3 000 000 <u>c/</u>
Banco Central	Government	unnamed	500 000

a/ Contract to be signed.

b/ Provided by AID Supervised Industrial Credit portfolio.

c/ To start operating in the 2nd Overall Loan.

/Apart from

Apart from the resources mentioned above, public and private industries have obtained and are obtaining financing from abroad in the form of machinery, equipment and raw materials, especially from Germany, France and Great Britain supplied at low interest and with medium-term amortization periods either on bank guarantees or on trust.

### 3. Fiscal policy as a means of promoting industrial investment

It is necessary to realize that the attainment of new development levels in the country implies, as a basis, the thorough participation of the state and private interests in a joint effort.

Accordingly, the factors tending to encourage private investment were re-examined, and as a result the Investment Promotion Institute (Instituto Promotor de Inversiones Privadas en Bolivia) was created by Decree 07366 of October 20, 1965.

The flow of private capital, both national and foreign, has gradually increased in response to the new government policy. In fact, in 1963 investments registered by the National Investments Committee reached the sum of 888.7 thousand dollars. In the following year, 1964, as of November 4, a total of 2,758.4 thousand dollars was registered. Between November 4, 1964 and October 20, 1965, when the law for the promotion of private investment came into force, registered investments barely reached the sum of 350.7 thousand dollars. After Decree 07366, which began a new policy for the treatment of private capital, the figures registered with the new Investment Promotion Institute have seemed to confirm a positive result of government efforts to attract capital to the country. The applications to register new investment projects made between October 20, 1965 and May 31, 1966 - only seven months - involve a total sum of 32,709.6 thousand dollars.

The total sum registered with the Investments Committee in 1963, 1964, 1965 - before the creation of the new conditions of guarantee and stimulus to which we have referred - was 16 per cent of that registered in the first seven months since Decree 07366 came into effect.

/The efforts

The efforts to ensure better conditions for capital invested in productive activities which increase the economic capacity of the country, are being furthered by other measures, such as those tending to secure the local market for domestic production and those which establish the obligation on state and decentralized enterprises to purchase articles and merchandise of domestic production to meet their needs and import only those not produced in the country. These measures are re-inforced by the control of public sector imports exercised by the Ministries of Economic Affairs and Finance.

However, it is impossible to deny the unfavourable long-term effect of foreign investments that results from the reversion overseas of profits derived from them, as long as there is no adequate incentive for their reinvestment.

There is still much to be done as regards policy for attracting foreign capital and stimulating investments of internal savings resources. The creation of conditions attractive to investment is a slow process, which not only demands an adequate institutional re-structuring, but the formation of a solid infrastructure whose financial cost is high; however, throughout the country, this slow and costly process is under way.

Draft amendments of some of the standing legislation in order to make it more flexible and less costly to administer, as for example, of the law on stock companies, are now being put through.

As regards sectoral promotion, the investment projects presented to INPIBOL are distributed as follows, according to the international industrial classification: agriculture and livestock, 11.5 per cent, mining 22.3 per cent, manufacturing, 61.6 per cent, transport 2.3 per cent and services 2.3 per cent.

The largest proportion of applications to INPIBOL (61.6 per cent) relate to industry sector. The agriculture and livestock sector, with hardly 11 per cent, will need additional measures and an adequate promotion campaign especially abroad, to show its enormous prospects, particularly in livestock. As regards transport, the technical departments of INPIBOL are studying regulations which will stimulate this sector by lessening its costs, a factor of capital importance which continues to hold back the process of national integration.

/(a) Benefits,

(a) Benefits, guarantees and facilities of the Investment Law

The incentives régime for new investments of the standing legislation was based on an analysis of investment motivations.

To direct investments toward enterprises which are considered of higher priority, or to discourage them because of a limited market, it has been necessary to examine carefully how to influence investment without hampering the free flow of capital.

The goal of positively influencing savings and propensity to invest, basic objectives of the investment law, has further shown the need to choose tax incentives of proven efficacy.

The use of certain guarantees, combined with the concession of specific tax incentives, is resulting in the accomplishment of the following basic premises of the law: the increase of domestic and foreign investment, and, at the same time, the promotion of an improvement in the general economic conditions of the country, with the consequent raising of productivity of manual labour as well as capital.

The classification of industries according to the percentage used of raw material produced completely by the country, fulfills another objective of the economic policy, that of mobilizing local production factors. The first category is reserved for basic or necessary industries which are indicated as such in a restricted list, prepared jointly every year by various institutions. With the aim of directing investments toward regions of a low economic level, exceptional incentives are granted, such as reductions on this profits tax and the overall complementary tax of 100 per cent, 75 per cent, and 50 per cent for the first, second and third category, respectively, for a period of 10 years.

(b) The institutional structure

The laws and state organizations are still far from creating a more dynamic climate for stimulating capital investment. Civil and business laws date from the past century, as does the law concerning the organization of stock companies. Tax systems are manifold and contradictory and in many cases strongly retrograde.

The tax system and its implementation may be summed up as follows: a multiplicity of taxes, cumbersome methods of taxation, tax evasion and charges relatively high in comparison with the social security services offered to the worker.

/Concerning guarantees,

Concerning guarantees, it cannot be doubted that those referring to expropriation have been carried out. (Since 1960 no private business in the country has been expropriated.) The same may be said of the other two guarantees of Article 5, paragraphs (h) and (i), which concern the non-application of taxes on profits for five years, a guarantee of free availability and convertibility of foreign currency in order to amortize capital and profits. Also, employer-worker relations have reached a level of fuller understanding in recent years.

It is very probable that the exemptions of Law 48 have not strongly influenced investment decisions, since the majority of the registrations of investments with the National Investment Committee occurred after the investment had been made, without considering previously the benefits due to them.

Finally, Law 48 suffered from many defects in its formulation which caused confusions and subtle interpretations by the organizations who were to administer it. Certain of these deficiencies led the Ministry of Finance to deny concession of benefits to investors deserving them.

The system of incentives of the present law of development is based on high taxation rates, so that the concession of tax exemptions has a marked effect on two fundamental aspects which motivate the investor: the level of costs and the prospects of net profits.

Along with this régime of tax incentives, an efficient system of tax collection is being developed which will guarantee the maximum cognizance of taxes due, through fiscal control which will reduce, at the same time, the number of tax evasions. Furthermore, the reorganization of the fiscal administration must include the simplification of the tax-paying process. At present, the tax-payer must add to his tax obligation the high cost of its payment.

Two important principles orient the present policy of attracting capital through tax incentives:

- (i) The attempt to lower the costs of plant installations, by doing away completely with taxes on importation of equipment, machinery, replacement parts and accessories needed by the business. This exemption is a stimulus for augmenting the fixed capital of the country.

/(ii) The

- (ii) The granting of tax exemptions during the first years of operation, according to the classification of industries, allowing them to make a profit during the first years, until they reach a competitive position.

This exemption is granted only to re-invested profits. This is more favourable to medium- and small-scale industries which have less access to sources of capital.

Another tax incentive to investment, applied at the stage in which the profits tax starts to hamper the growing profits, diminishing investment funds, is accelerated depreciation.

The Institute for Investment Promotion in its programme of developing private investment, has two specific functions dealing with the joint participation of the public and private sectors:

- (i) The administration of the investment law, and
- (ii) The promotion of private investment.

General promotion is assisted by institutions and legal interpretations, which encourage the "climate" of investment.

Specific promotion is achieved through feasibility studies of investment projects, which are made available to potential investors at home or abroad. Included is a table showing in detail the extent of the functions of INPIBOL.

#### 4. Tax regulations for foreign capital and business

Regulations for foreign capital place it under Bolivian legislation with no especial discrimination. The traditional governmental policy toward foreign capital is an open-door one. Accordingly, the law of development and stimulation for private investment states in its first article that investments made in Bolivia by all natural or legal persons, national or foreign, with national and/or foreign capital, and with the object of initiating and/or expanding activities which promote economic development and increase national production, will enjoy the benefits, guarantees and treatment which the present law accords. It goes on to say that as the economic policy of the government is that of promoting, stimulating and developing productive activities in the country, all

/investments are

investments are welcome in Bolivia, including those which do not request, of having done so, have not been granted concessions of exemptions, and may organize themselves and operate under the protection of the guarantees offered by the Constitution, and that investments destined for the exploitation of petroleum and gas will be governed by special laws.

Among the functions which the Law of Investment Development of October 20, 1965 assigns to the Institute are those which empower it to:

Receive and answer applications from investors to use insurance granted by other countries.

Advise on international agreements designed to eliminate or reduce double taxation.

The government has a bilateral Mutual Security Act, signed with the United States, concerning guarantees of mutual security for investments from that country.

#### 5. Policy for the promotion of exports of manufactures

The tariff for exports includes no express regulations for manufactured goods in particular. More detailed consideration is given to renewable agricultural and livestock products, abundant in Bolivia, such as frozen, dried, and salted meat, bee honey, fresh fruit and vegetables, coffee, cocoa, hides, almonds, rubber, wood, wool, cinchona bark and quinine, hand-woven fabrics, which have duties ranging from 1 to 10 per cent.

A few sections cover manufactured goods such as furniture, travelling cases, hats, footgear and others with tax exemption.

The export under customs permit of effects listed or included in the tariff subsequent to its publication are, if the saturation of the domestic market so justifies, exempt from internal taxes, patents, surcharges and stamp duties.

Producer-exporters of domestic manufactures based on foreign raw materials or intermediate products can claim the return of the amount of the import duties and taxes on the goods (though not services) used in products for export (draw-back). However, export procedures are complicated by the fact that the valuation of the products concerned and the payment of the respective return are carried out on the basis of the official quotations in force on the day of shipment.

/Adequate legislation

Adequate legislation is still needed for fixing quotations for products with a permanent market abroad on the basis of official consular information and for speeding up the documentation procedures required, especially in the case of products or manufactures whose international expansion is desired.

Table 11 gives an overall view of the exports made in 1965, which, on analysis, is encouraging.

Table 11

BOLIVIA: EXPORTATIONS IN 1965

(Quantities in tons and values  
in thousands of dollars)

Groups	Gross weight	Value	Tax	Incidence (Percentage)
Live animals	225.2	48.1	7.2	15
Food and beverages	27 507.1	2 748.8	38.0	14
Raw or simply prepared materials	239 796.9	113 503.4	12 483.7	11
Manufactured articles	2 930.6	7 291.9	1.4	0.18
Unmanufactured gold, platinum and silver	36.9	8 243.9	277.6	4
<u>Totals</u>	<u>270 496.5</u>	<u>131 836.1</u>	<u>12 807.8</u>	<u>9.7</u>

Source: Ministry of Finance.

First in weight and value among the manufactured articles are tin and lead solderings; next in importance are vicuña rugs, blocks and forms for hats and wool rugs, woollen knitted articles, and art objects in general,

/representing a

representing a bare 5.5 per cent of an export total of 131,896 dollars. In foodstuffs, only coffee, sugar, salt and almonds reach figures of importance. There are few short-term prospects of exports of manufactured articles as such.

The manufacturing industry in general still has too many difficulties in correcting the internal imbalances due to its inadequate development to be able to sell its products competitively in foreign markets.

Because of these circumstances, and since the regulations for attaining the declared objective were adopted too recently for their effects to be analysed, no opinion can be ventured concerning the hoped-for results.

Certain potentially economic regions of the country have not had access to the customs agencies which might have facilitated the procedures required for them to engage in export trade.

To avoid the economic effects of this situation many customs sub-administrations in remote places have been given wider authority so as to be able to attend more expeditiously to requests to import and export.

In like fashion, with the aim of opening greater economic possibilities, certain regions of the country free port régime, such as Cobiya, in the north, enjoy a "Free Zone" regime for all imports and exports.

There are several specialized organizations for the marketing and consequently, the development of agricultural exports: for example, CONCOFRUT, for fruit in general; INBOLVA, for coffee; CONBOFLA, for wool of the llama family, and CONCA, for rice.

At the moment there are no organizations for the development and financing of exports of manufactured articles, except for several handcraft co-operatives allied with "Artesanías bolivianas" which concerns itself with the export of indigenous woven materials.

## 6. Regulations for small-scale industry

The criteria for classifying industrial establishments by size, sanctioned by law were based on the amount of capital declared by each business for the Industrial Register.

Because of inflation and the regulations concerning revaluation of fixed assets, this criterion has practically fallen into disuse and, at present, the country has no reliable register giving a size classification of establishments.

Industry in general is favoured by certain regulations. For example, in matters of credit, it is given special treatment with regard to interest and bank commissions, sector paying 12 per cent annually for the former and 1/2 per cent monthly for renewal commissions. Loans to trade carry a higher interest rate of 18 per cent annually with 3/4 per cent monthly renewal commissions.

As an example of industrial credit provisions in Bolivia the Banco Industrial S.A., created specifically to facilitate credit for industrial promotion and aid, may be considered. Its credit policy is important in view of its flexible character, being extensively used to strengthen concerns already established. In addition, it prepares feasibility studies for new industries; in this aspect, it has been concerned directly or indirectly, in the establishment of 12 industrial enterprises, for which it provided more than 400,000 dollars.

As for technical assistance and technical and management qualification on various levels, the work of the recently created Centro Boliviano de Productividad Industrial must be mentioned, which runs training courses and seminars and distributes technical material.

It is natural that the advantages mentioned tend to favour the manufacturing stratum rather than craftsmanship in general.

Apart from the type of activity which, in spite of its redundancy, could be called "artistic cottage industry", there exists a kind of economic activity concentrated in small workshops of a family nature, with two or three hired employees, inaccurately called "handcraft workshops" by the Dirección General de Industrias.

/The bulk

The bulk of manufactured production, particularly in other fields than food, is carried out in this kind of establishment, in the country and in the cities. It is estimated that their contribution of goods and services is about half of the production of manufactured and semi-manufactured goods, and its range of products is extensive, from food to footwear and clothing, including mechanical, electrical and metal articles in general.

As for artistic cottage industry, the country has a very rich tradition, derived from the colonial period as well as from the various native groups and cultures. In particular, that grouped in co-operatives is slowly regaining its impetus and originality, as the internal market widens and the foreign market develops for the exportation of its products.

To aid cottage industry financially, the Banco Industrial S.A. has made an agreement with USAID/B under which it has been granted one million pesos for loans to cottage industry, of which 300 thousand were disbursed in 1965.

Generally speaking, cottage industry has not had a definite and working credit system. The working capital of the workshops is still limited to the advance payments of the purchasers of the products made.

#### 7. Direct government promotion through public or mixed enterprises

##### Public enterprises

All production activity is in private hands, but in the event of its not taking place in certain areas considered of national interest from want of previous experience, or because it would have a no more than consumer market, or because raw materials are not available in adequate quantity and quality, the government, through the Corporación Boliviana de Fomento, undertakes this new activity. Once installed and operating, the project is offered to private capital for purchase, at a price which must adequately recoup the investment in order thus to realize resources needed for new promotional programmes.

One of the characteristics of the national consumption market is its small size, which enables single industrial plants, even of minimal size, to meet the entire needs of the country, and thus to possess a

/de facto

de facto monopoly. The Government, to counteract this type of situation, considers that its participation in this particular industrial category is necessary, through the system of mixed partnerships and will continue to hold this view until the consumer market increases sufficiently to justify a second plant, in which case it will offer its holdings to private capital.

By means of direct government promotion the following industrial enterprises were created.

(a) Guabira Sugar Mill (C.B.F.)

Located in the department of Santa Cruz; first crop, 1956; milling capacity, 2,000 tons of cane; amount of investments 8.4 million dollars; number of workers at harvest time, 450; annual production (subject to quotas owing to local and world overproduction of sugar), 29,000 metric tons of sulfited sugar.

The industry is directed by a general manager stationed in the area. He receives his instructions from the central office of the Corporación Boliviana de Fomento (C.B.F.) located in La Paz. Its decentralization is now being studied, with a view to forming a stock company to be directed by a board of directors. Financial matters are handled entirely by the Corporación Boliviana de Fomento, judicial matters by the government.

(b) National Cement Factory (FANCESA)

Located in Sucre. Began operation in 1960. It is a stock company of the C.B.F., Mayoralty of Sucre and the University of Sucre, each of which holds one-third of the shares, although the exact legal structure of the company has not yet been fully determined.

Both the administrative and financial divisions are managed by a board of directors, in which the Corporación Boliviana de Fomento, which provided the entire financing, holds power corresponding to its third share.

The capital of the National Cement Factory of Sucre is 2 million dollars. The daily production capacity is 100 metric tons, with an annual production of 35,000 tons. Currently, international credit agencies are being approached, with a view to making a further 80 per cent expansion. The number of workers is 95.

(c) Milk processing plant

Located on the outskirts of the city of Cochabamba, it began operation in 1960.

This plant was started through a donation of UNICEF to the Bolivian government, on the understanding that the government would give, free of charge, powdered skim milk to children and nursing mothers. Since its first year of production, this plant has sold its product to the government, which distributes it without charge at health centres, to milk donors and school breakfasts. It began with purchases of fresh milk from small farmers, amounting to barely 5,000 litres daily, and deliveries to the plant have grown to nearly 22,000 litres per day, as a result of development incentives in the dairy industry in the neighbourhood of the plant.

The firm is directed by a general manager and by the central office of C.B.F. The organization of a stock company is being studied, similar to that of the Guabirá Sugar Mill.

It produces the following products: powdered skim milk, butter, liquid pasteurized milk and, starting this year, whole powdered milk in cans. There are 60 workers.

The amount invested in the plant is 600 thousand dollars, of which 200 thousand are from UNICEF.

(d) Oxygen, acetylene and tyre re-treading plant

Located on the outskirts of Cochabamba, it is a subsidiary to the C.B.F. Office in Cochabamba. It produces industrial oxygen and acetylene gas, and has facilities for re-treading rubber tyres. Its production is absorbed by the area of Cochabamba and Santa Cruz. It represents an investment of 120,000 dollars and gives work to 30 employees.

(e) Sugar Mill of Bermejo

This plant is being constructed on the mandate of a law of 18 November, 1960. Four million dollars have been invested to date, with one and one half million dollars further investment estimated for its completion.

It has a nominal milling capacity of 1,000 tons of cane per day. The first crop is planned for 1967.

/(f) National

(f) National matches factory

This is a mixed enterprise in which the government controls 51 per cent of the share and private capital 49 per cent.

The administration of the plant is in the hands of the private sector. The investment amounts to 1.3 million dollars. It began operating in 1958. At present its annual production is 50 million boxes, supplying the entire local demand. As there is a shortage of wood for lamination, the firm has projects for the development of forest preserves for industrial use.

(g) LUBOL

The government industry of Yacimientos Petrolíferos Fiscales Bolivianos also operates refineries at Cochabamba (5,000 barrels daily), Sucre (one with a daily production of 1,200 barrels, the other with 3,000), Santa Cruz (2,000 barrels daily), Camiri (1,200 barrels a day) and other smaller ones connected with the Cochabamba refinery, is the LUBOL plant, which has a daily production capacity of 20 tons of motor vehicle motor oils and several industrial oils.

As the country's need for certain special oils is not met, Y.P.F.B. controls the supplementary importation of lubricating oils. At present, the LUBOL's installations are being modernized.

All the enterprises listed operate efficiently from a technical point of view. For example, the output of the Guabirá refinery is the highest in the Bolivian sugar industry.

The same may be said of manpower utilization, as in the case of the National Cement Factory of Sucre, which has half the number of employees of the private industries. All, without exception, have registered increasingly rapid growth rates, in production.

Generally speaking, it may be said that government industry in Bolivia operates from a technical point of view within normal productivity standards, and that the difficulties which face it are of a commercial nature.

### 8. Policy of regional industrial development

Although, in Bolivia, no policy of regional industrial development has as yet been defined, the efforts have been made in this connexion, chiefly under the following principles:

- (a) The utilization of regional natural resources, and
- (b) The development of economically-depressed zones.

As a first step in the utilization of regional resources the construction of highways has been necessary. Among others are: Cochabamba-Santa Cruz, Orán-Bermejo-Padcaya-Tarija, Yapacaní-Puerto Grether, Cochabamba-Villa Tunari-Puerto Patiño, Villa Tunari-Puerto Villarroel, Guabirá-Chané, Yapacaní, Guabirá-Puerto Banegas, La Paz-Caranavi-Alcoche-Puerto Salinas, and Alcoche-Guanay-Tipuani.

An immediate consequence, particularly in the area of Santa Cruz, was the development of the sugar and lumber industries, and rice-growing.

Among the industrial projects designed especially for the development of economically-depressed zones are those of the National Cement Factory of Sucre, the sugar mill of Bermejo, which is under construction, and the Comité Boliviano de Fomento Lanero (COMBOFLA) in the Altiplano, which is of social importance and is privately organized under the auspices of USAID/B.

The areas of greatest demographic density are the Altiplano and the yungas. The tropical regions are less populated, a factor which affects the regional prospects of agricultural and industrial development. At present, along with road-building in these regions, programmes of colonization and internal migration from the high regions of the Altiplano and the valleys to the plains of Santa Cruz and Beni are being carried out. Agricultural development, primarily, and the use of natural resources are certain to lead to the appearance of processing industries in these regions.

The efforts made up till now were of an experimental nature, since regional planning is still in an initial phase of study and is subject to a great many limiting factors.

There are no regional organizations for industrial development, since the governmental organizations already mentioned (Corporación Boliviana de Fomento, Instituto Promotor de Inversiones and Banco Industrial) have performed this function, although in no specific way, and on a modest scale in accordance with their powers.

/The Bolivian

The Bolivian government, in an effort to further regional industrial development, passed legislation favouring Oruro, naming it "The industrial capital of the country" and also favouring Santa Cruz, with the intention of developing industry in the Oriente.

Santa Cruz has responded more fully than Oruro, but it is hoped that the installation of tin smelters will give a new stimulus to the Altiplano city.

At present, Law 07366, for the Development, Stimulus and Co-operation of Private Investment, gives tax exemption and special incentives to industries established in certain regions: Chuquisaca, Beni, Pando and Tarija, for a period of ten years.

#### 9. Information on industrial training programmes

The training of industrial works and middle-grade technicians is carried out in state and private technical schools under regular study plans and programmes, which are established by a National Central School which itself has capacity for 3,000 students. At present, until certain building work is finished, it has only about 800 students, who are being trained at the following levels:

- (a) Expert, or skilled worker in the fields of carpentry, mechanics, electricity, radiotechnics or smelting, with four years study;
- (b) Technician, or workshop, a foundry or industrial project supervisors, for which there is three years study.
- (c) Improvement, involving special evening courses of varying length for training skilled workers through an easy apprenticeship, and designed to raise the technical level of adult workers.

In addition, seventeen industrial departments have been established throughout the republic. These departments function within certain secondary schools, in the first four courses. Vocational training providing the student with an introduction to and guidance in manual arts, has been incorporated into the academic framework in order to awaken habits and inclinations for useful and productive work, and consequently provide the first steps in the training of the future skilled workers and technicians needed by the country for its development.

/Vocational instruction,

Vocational instruction, in its three grades, is controlled and stimulated by the Higher Council of Technical Instruction, headed by the Minister of Education and composed of representatives of the different technical departments of the state and autonomous organizations directly concerned with the different types of vocational and technico-professional training. Its functioning and character are set forth in a special statute. It is responsible for pre-vocational, vocational, technical and middle-level professional education. It has technical, economic and administrative autonomy. It plans and stimulates the creation of new centres of public and private instruction in its field of activity.

Under existing regulations, manufacturing industry contributes 2.5 per cent of the taxes on its liquid resources to these activities. This sum is earmarked for the exclusive purpose of development of technical education, and is administered by the Higher Council of Technical Instruction.

The National Central School, at present trains a larger number of middle-grade technicians than qualified workers, with the result that there are more technicians than industry requires and many of these leave the country in search of other opportunities. On the other hand, the training of qualified workers is insufficient, or almost non-existent.

The technicians trained by the Central School are of satisfactory quality.

The training of skilled workmen, through industrial apprenticeship, has not been developed, since the legislation governing it is antiquated and makes planning impossible. A new Work Code is now being studied and revised, and includes a special provision for contractual apprenticeship, providing regulations and conditions for its operation and efficiency.

As an adjunct of the Ministry of Labour, a Department of Professional Training and Apprenticeship has been organized, with the aim, once the code has been approved, of administering the training of minors obliged to work and adult workers who wish to improve their special skills.

/Bolivia has

Bolivia has a shortage of skilled workers and specialized personnel in certain production processes. The supposedly 'skilled' workers at present available, including the "oficiales and maestros", are poorly trained. The workers who have reached that classification have done so either by length of time or by having learned the trade through experience.

At present, the Planning Office, in collaboration with the Department of Human Resources of Ohio University (USA) is carrying forward an ambitious programme of research into the available human resources of the country and their skill levels, as an introductory step to an adequate programming of manpower needs, and of the measures necessary for their training within the framework of development plans and programmes.

#### 10. Productivity and industrial extension services

The organization for rendering services relating to productivity to private industry is the Centro Boliviano de Productividad Industrial. Created recently as an autonomous, non-profit body, with United States assistance, it is associated with the Cámara Nacional de Industrias and the Banco Industrial S.A. Its aim is the intelligent use of production factors to increase industrial productivity on the basis of an efficient application of the principles of organization, the scientific administration of labour and adequate training of executives and private entrepreneurs.

Among its specific functions, the Centre is developing technical in-plant advisory services; and also provides technical information and other forms of assistance to individuals, companies and industrial groups. It also aims to promote the establishment of national consultation firms, professional commercial associations, etc., capable of carrying on productivity programmes once they have been started by the Centre.

The quality of training on the executive level offered by the Centre is most satisfactory, as has been shown by the growing interest and large participation of top executives in its programmes.

The Centres Funds derive from the Banco Industrial, the Cámara Nacional de Industrias, USAID/B and its own income.

#### /11. Technological

## 11. Technological research

At present there is no technological research centre for industrial purposes.

In view of this, the Bolivian Development Corporation, through the Ministry of Economic Affairs, projected in 1961 a technological Research Institute, to which the United Nations Special Fund was to contribute a sum of 638 thousand dollars, to be matched by a local investment of 700 thousand dollars.

This institute was to start operation at the end of 1963, with the following objectives:

(a) Research on raw materials suitable for Bolivia's industrial development;

(b) Solution of technological problems which the industrial use of these materials might present;

(c) Centralization and diffusion of information concerning the country's raw materials, their characteristics and possibilities of industrial exploitation.

The programme was to be carried out within five years.

Unfortunately, neither in 1963 or 1964 was the Bolivian government able to supply the counterpart funds, so in December, 1964 it notified the United Nations that it would suspend its efforts in connexion with this project.

It is hoped, however, that within a relatively short time (1968) the Bolivian government will have obtained the counterpart funds needed for this project, at which time it will again apply to the U.N. Special Fund for the proffered contribution.

The collaboration of industry, the universities and the government in this project is being considered.

## 12. Standardization

In spite of the unquestioned usefulness to industrial development of the adoption of technical standards, Bolivia does not as yet have a special organization for the supervision and co-ordination of research which would take steps towards the establishment of more adequate standards. The

/Dirección General

Dirección General de Industrias is empowered to do this, but the lack of personnel, means and resources have made any activity in this direction impossible.

A Law of September 30, 1893, adopted the Metric Decimal System for units of length, weight, surface, volume and capacity, putting the administration of measurement standards into the hands of the municipalities, as well as the application of the penalties for their infringement.

The following government decrees imposed national standards for products, methods and processes on industrial establishments: "Regulations for the manufacture of foodstuffs and beverages", "Regulations for the Installation of Bakeries" (D.S. 2986 of January 30, 1952) and "Technological regulations for slaughterhouses, meat packing plants and marketing of meat" (D.S. 7773 of August 3, 1966).

In addition, standards have been set up to meet the requirements of foreign trade, e.g. for hard wood measurements.

In almost all instances, standards and specifications of other countries, including international ones, have been adopted, with wide margins of tolerance. They are operated by the public departments, particularly the Dirección General de Industrias of the Ministry of Economic Affairs. The different origins of the standards used has created a complex situation, a problem which it is hoped that progress in regional standardization will help to solve.

In 1959 the Ministry of Economic Affairs, at the suggestion of the United Nations, created the Department of Standards and Productivity, whose functions are to maintain, calibrate instruments, select measurement procedures, study quality standards for nationally manufactured articles, distribute information concerning these standards, maintain contact with standardization organizations, give technical assistance, recommend industrial methods and processes, and assist in other areas of productivity. However, the organization did not succeed, as the necessary funds were not granted and qualified standardization personnel was lacking.

In 1964, the Instituto Tecnológico Boliviano (I.T.B.) tried again to organize a bureau of standards, shortly before the completion of these plans, the institute's organization was changed.

The creation of the Bolivian Standardization Institute so often recommended by the United Nations has been delayed, possibly through lack of the expected encouragement on the part of the International Organization for Standardization (ISO), which might supply the necessary technical assistance.

## Chapter V

### FOREIGN ASSISTANCE TO INDUSTRIAL DEVELOPMENT

#### 1. Financial assistance

External financial assistance to industry has been provided chiefly by the Inter-American Development Bank, the Development Loan Fund (D.L.F.) and by the International Development Agency of the United States (see tables 12, 13 and 14).

From 1961 on, the Bolivian Development Corporation (CBF) was given the administration of an overall loan of 10 million dollars, provided by IDB. For this loan, an industrial credit line was set up, with a re-adjusted sum of 2,133,800 dollars, designed for the promotion of projects of this kind, particularly in the private sector. By December 31, 1965, this sum was practically exhausted.

Several specific projects of the public sector were also financed by the total loan mentioned, for the sum of 2,230,000 dollars.

The United States government also contributed to the financing of the industrial sector, through the Development Loan Fund and through AID. The former agency loaned a total of 4.5 million dollars for the expansion of private sugar mills.

In 1963, a credit of 2.4 million dollars was given by the American agency, to be administered by the Industrial Bank for private industrial projects.

Since 1962, AID, through donations and loans, has granted a total of 212.4 million Bolivian pesos (17.7 million dollars). The majority of this amount was used by the mining industry, with no specific figures available.

Table 12

BOLIVIA: STATUS OF THE TOTAL BID-CBF LOAN, AS OF DECEMBER 31, 1965

(In thousands of dollars)

Credit Line	BID: Amount assigned	BID: Amount pledged	CBF: Amount dis- bursed	BID: Amount dis- bursed	CBF: Amount to be dis- bursed	BID: Amount to be dis- bursed
Agriculture- Livestock	1 920.0	1 920.0	1 920.0	1 920.0		
Mining	1 193.3	1 186.4	1 118.5	1 114.1	67.9	79.2
Industrial	2 133.8	2 454.7	2 231.5	1 989.2	223.2	144.6
Irrigation and drainage	36.2	36.2	36.2	36.2		
Electrical energy	2 280.0	2 280.0	1 840.8	1 740.7	439.2	539.3
<u>Specific Projects</u>						
Drinking Water- La Paz	64.7	64.7	64.7	64.7	-	-
Drinking Water- Cochabamba	60.0	60.0	36.6	32.8	23.4	27.2
Milk Industrialization- PIL	125.0	125.0	125.0	105.6		19.4
Expansion of Guabira sugar mill	2 105.0	2 105.0	2 105.0	2 105.0		
Capitalized interest	82.0			82.0		
<u>Totals</u>	<u>10 000.0</u>	<u>10 232.0</u>	<u>9 478.3</u>	<u>9 190.3</u>	<u>753.7</u>	<u>809.7</u>

Source: Credit Division of CBF.

Table 13

BOLIVIA: UNITED STATES ASSISTANCE LOANS IN DOLLARS

(In millions of dollars)

Fiscal years	1942	1959	1960	1965	Total	
	C	D	C	D	C	D
<u>Eximbank Loans</u>	41.9	41.9	0.2	0.1	42.1	42.0
<u>D.L.F. Loans</u>						
1. Sugar mill "La Esperanza"	-	-	2.0	1.9	2.0	1.9
2. Sugar mill "La Bélgica"	2.5	0.8	-	1.7	2.5	2.5
3. Airport of "El Alto"	-	-	3.85	3.24	3.85	3.24
4. Road equipment	-	-	2.1	1.6	2.1	1.6
5. Feasibility studies	-	-	6.0	4.2	6.0	4.2
<u>AID/W Loans</u>						
1. Triangular Plan	-	-	8.5	7.7	8.5	7.7
2. Access roads	-	-	7.2	1.3	7.2	1.3
3. Highway La Paz- El Alto	-	-	3.9	-	3.9	-
4. Customs Storehouses El Alto	-	-	2.2	-	2.2	-
5. Banco Industrial S.A.	-	-	2.4	0.7	2.4	0.7
6. Banco Agrícola	-	-	3.7	3.7	3.7	3.7
7. Roads Nos. 1 and 4	-	-	33.2	-	33.2	-
<u>Totals</u>	<u>44.4</u>	<u>42.7</u>	<u>75.25</u>	<u>26.14</u>	<u>119.65</u>	<u>68.84</u>

Source: USAID- Economic Statistics.  
 C Pledged.  
 D Disbursed.

/Table 14

Table 14

BOLIVIA: UNITED STATES ASSISTANCE (DONATIONS AND LOANS) IN  
BOLIVIAN CURRENCY

(Disbursements in millions of pesos)

Fiscal year	1954-61	1962	1963	1964	1965	Total
Agriculture	77.1	8.1	17.1	15.5	2.8	120.6
Industry and mining	51.6	105.34	77.0	29.1	0.7	263.74
Health	22.8	12.15	6.5	-	-	41.45
Transport and power	57.7	21.7	9.8	19.2	6.0	114.40
Public administration	4.1	5.9	1.2	2.1	0.5	13.80
Education	10.9	0.12	5.0	-	0.2	16.22
Housing and community development	8.9	0.1	23.5	18.0	-	50.50
Budget aid	373.7	127.1	52.8	71.0	51.5	676.10
Other	17.9	6.6	29.6	10.4	10.3	74.80
<u>Total</u>	<u>624.7</u>	<u>287.11</u>	<u>222.50</u>	<u>165.3</u>	<u>72.0</u>	<u>1 371.61</u>
Percentage of budget aid	59.8	44.3	23.7	42.9	71.5	49.3

Source: USAID -- Economic Statistics.

INTERNATIONAL ECONOMICS BOARD REPORT

/In reference

In reference to future financial assistance needs for industrial development, the budget for projects being carried out and those under consideration for 1967, according to the Bolivian Development Corporation, is estimated at 10,363,156.60 dollars distributed as follows:

	<u>Dollars</u>
Department of Enterprises	
4 projects	2,624,358.0
Pre-investments Department	
10 studies	246,500.0
Credit Department	
23 projects	7,492,298.60

In addition, the Industrial Bank was able to increase its resources to approximately 4.5 million dollars, through contributions of BID, USAID and private investors. Their use is foreseen for 1967 on.

Plans for the near future will motivate the Operative Plan for 1967 and the Four-Year Plan, now being drawn up by the Department of Planning, subject to governmental rulings.

There is also a bilateral agreement with the French government, which offered loans whose aim, among others, would be the financing of new industries. The agreement is under negotiation.

As a result of the new investment law and the organization of the National Investment Institute, which registers the flow of foreign capital designed for industry into the country, on May 31, 1966 a total of 17,196,700 dollars in industrial activity was recorded.

The major part of this amount comes from the different credit channels listed earlier, with an estimate of only about 5 million dollars in private foreign investment, supported by government regulations.

As the Bolivian Central Bank grants foreign exchange freely to commerce and industry, there is no registration of foreign currency remitted abroad for royalty and industrial license payments.

2. Technical assistance

Bolivia receives technical assistance through multilateral agreements with the United Nations, and bilateral agreements with the United States, France, Great Britain, Germany, Israel and Japan; with the Netherlands, Spain and other countries as further possibilities.

In addition, assistance is given by various foreign universities.

The United Nations

The United Nations offers technical assistance to Bolivia through different specialized agencies which have placed several of their experts in government organizations.

Although assistance requirements from the various institutions consulted are estimated at 12 million dollars for 1967 through 1968, only those of priority have been met with 1,224,000 dollars assigned to those of the first category and 612,500 dollars to the second category. (See Table 15)

Table 15

BOLIVIA: UNITED NATIONS PROGRAMME OF TECHNICAL ASSISTANCE,  
1967 AND 1968

Agency	First Category (Thousands of dollars)	Second Category	Number of experts estimated
ATNU	285.5	304.5	11
UNESCO	145.6	58.4	5
ILO	192.7	29.2	5
FAO	235.3	120.8	8
WHO	134.3	36.4	4
ICAO	73.2	58.4	2
AIEA	43.6	-	2
ITU	63.6	-	1
WMO	51.2	4.8	1
<u>Totals</u>	<u>1 225.0</u>	<u>612.5</u>	<u>39</u>

/A number

A number of fellowships are being considered as part of the programme.

At present there are 43 United Nations experts working in their various fields in Bolivia.

Future needs are estimated on a biennial basis, as in Table 11 for 1967 and 1968. The assignment of priority is made after consultation with the groups interested.

Technical assistance through bilateral agreement is arranged with the governments of friendly countries, who offer their experts or advisors to work with Bolivian technicians. The countries providing technicians on this basis (73 in all) are as follows: United States (USAID/B), 52 experts; Britain, 12; France, 2; West Germany, 3; Israel, 3; Japan, 1.

The distribution of 116 foreign experts according to their activities is as follows: agriculture, 39; education and human resources, 7; mines and petroleum, 18; social security and labour, 4; transport and communications, 5; meteorology and nuclear energy, 2; public health, 9; industry, 10; other public services, 18; programming and project evaluation, 4.

In addition to assistance from the United Nations and the governments of friendly nations, Bolivia is aided by various foreign universities, including those of Pittsburgh, Ohio, Wisconsin and Illinois (USA) Oxford (England), and Salzburg (Austria).

The Department of Planning and Co-ordination is the state organization in charge of co-ordinating, orienting, supervising and checking the technical assistance related to economic and social development plans. Requests for assistance must go through this department, which also evaluates, controls, registers statistics on, and decides the field of application of the said assistance.

As a complementary part of the technical assistance programme supervised by the Department of Planning, must be mentioned its participation in the National Scholarship Committee, which is under the jurisdiction of the Ministry of Education.