Bolivia

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Bolivia	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.)) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score) International Narcotics Control Majors List (Cited)

Major Investment Areas:

Agriculture - products:

soybeans, coffee, coca, cotton, corn, sugarcane, rice, potatoes; Brazil nuts; timber

Industries:

mining, smelting, petroleum, food and beverages, tobacco, handicrafts, clothing, jewelry

Exports - commodities:

natural gas, soybeans and soy products, crude petroleum, zinc ore, tin

Exports - partners:

Brazil 40.3%, US 17.7%, Argentina 7.7%, Peru 5.3% (2012)

Imports - commodities:

petroleum products, plastics, paper, aircraft and aircraft parts, prepared foods, automobiles, insecticides

Imports - partners:

Chile 20.8%, Brazil 19.9%, Argentina 11.7%, US 9.9%, Peru 7.1%, Venezuela 6%, China 4.8% (2012)

Investment Restrictions:

With the exception of the broadcasting sector, there is no requirement that nationals own shares of companies, or that foreign equity be reduced over time. There are some areas where investors may judge that special treatment is being given to their Bolivian competitors, for example in key sectors where private companies compete with state owned enterprises. Additionally, foreign investment is not allowed in matters relating directly to national security, and only the GOB can own natural resources.

The Constitution specifies that all hydrocarbon resources are the property of the Bolivian people and that the state will assume control over their exploration, exploitation, industrialization, transport, and marketing (Articles 348 and 351).

The Telecommunications, Technology and Communications General Law (Law 164, Article 28) stipulates that the licenses for radio broadcasts will not be given to foreign persons or entities. Further, in the case of broadcasting associations, the share of foreign investors cannot exceed 25% of the total investment, except in those cases approved by the state or by international treaties.

Contents

Section 1 - Background

Bolivia, named after independence fighter Simon BOLIVAR, broke away from Spanish rule in 1825; much of its subsequent history has consisted of a series of nearly 200 coups and countercoups. Democratic civilian rule was established in 1982, but leaders have faced difficult problems of deep-seated poverty, social unrest, and illegal drug production. In December 2005, Bolivians elected Movement Toward Socialism leader Evo MORALES president - by the widest margin of any leader since the restoration of civilian rule in 1982 - after he ran on a promise to change the country's traditional political class and empower the nation's poor, indigenous majority. However, since taking office, his controversial strategies have exacerbated racial and economic tensions between the Amerindian populations of the Andean west and the non-indigenous communities of the eastern lowlands. In December 2009, President MORALES easily won reelection, and his party took control of the legislative branch of the government, which will allow him to continue his process of change. In October 2011, the country held its first judicial elections to appoint judges to the four highest courts.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Bolivia is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 21 June 2013

The FATF welcomes Bolivia's significant progress in improving its AML/CFT regime and notes that Bolivia has established the legal and regulatory framework to meet its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Bolivia is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Bolivia will work with GAFISUD as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Bolivia was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Bolivia was deemed Compliant for 1 and Largely Compliant for 4 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

US Department of State Money Laundering assessment (INCSR)

Bolivia is categorised by the US State Department as a Country/Jurisdictions of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Bolivia is not a regional financial center but remains vulnerable to money laundering. Criminal proceeds laundered in Bolivia are derived primarily from smuggling contraband and from the foreign and domestic drug trade.

In recent years Bolivia enacted several laws and regulations that, taken together, should help the country more actively fight money laundering. Bolivia should continue implementing its laws and regulations with the goal of identifying criminal activity that results in investigations, criminal prosecutions, and convictions.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Major sources of illicit funds in Bolivia include cocaine trafficking, smuggled goods, and informal currency exchanges. Chile is the primary entry point for illicit products, which are then sold domestically or informally exported. The informal sector offers opportunities for money laundering and structuring. This money then enters the formal market through the financial system.

Although informal currency exchange businesses and non-registered currency exchanges are illegal, many still operate. Corruption is common in informal commercial markets, and money laundering activity is likely.

The Bolivian justice system is hindered by corruption and political interference, which impedes the fight against narcotics-related money laundering. Lack of well-trained prosecutors and police officers is a problem, leading to ineffective criminal investigations.

Bolivia has 13 FTZs for commercial and industrial use in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero, and Cobija. Lack of regulatory oversight of these FTZs increases money laundering vulnerabilities.

Casinos are illegal in Bolivia. Legal soft gaming (e.g., card games, roulette, and bingo) is regulated, but many games operate in the informal market.

KEY AML LAWS AND REGULATIONS

Bolivia has several laws that control the entry and exit of foreign exchange and which criminalize illicit gains. In 2012, Bolivia created the National Council to Combat Illicit Laundering of Profits to issue guidelines and policies to combat money laundering. In 2013, Bolivia created new regulatory procedures that allow for freezing and confiscation of funds and other assets related to corruption, terrorism, and money laundering.

All financial institutions in Bolivia are required by the Financial Investigative Unit (UIF), Bolivia's FIU, and the banking regulations, to report all transactions above U.S. $3,000 (or transactions above U.S. $10,000 for banks).

Bolivia has KYC regulations. All transactions conducted through the financial system require valid photo identification in addition to other required information. Financial intermediaries must enter this information into their systems, regardless of the transaction amount or whether the transaction is a deposit or a withdrawal.

Bolivia is a member of GAFILAT, a FATF-style regional body.

AML DEFICIENCIES

Lack of personnel in the UIF, combined with inadequate resources and weaknesses in Bolivia's legal and regulatory framework, limit the UIF's reach and effectiveness. Compliance with UIF's reporting requirements is extremely low. Information exchange between the UIF and police investigative entities improved in the last year, and the UIF maintains a database of suspect persons that financial entities must check before conducting business with clients. In 2017, the Attorney General created a special unit dedicated to investigating and prosecuting money laundering.

Bolivia does not have a MLAT with the United States; however, various multilateral conventions to which both countries are signatories are used for requesting mutual legal assistance. On July 6, 2017, the United States and Bolivia entered into a Customs Mutual

Assistance Agreement, which enhances cooperation and information sharing between the two countries regarding customs matters. Law enforcement cooperation with other jurisdictions is reported to be limited.

Bolivia now includes notaries under the supervision of UIF and is working to address other noted deficiencies, including the lack of coverage of vehicle dealers, real estate businesses, and jewelry stores, as well as bitcoins, mobile device payments, and financial outflows. The government monitors the use of other digital currencies, but presently only bitcoins have been noted in Bolivia.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Banks actively enforce all regulations to control money laundering and other suspicious transactions.

Bolivia has implemented the 1988 UN Drug Convention and has drug-related laws in place. The criminal courts have jurisdiction over crimes related to narcotics, terrorism, and money laundering. With a legal order, courts can request information from banks for investigative purposes.

Bolivia has an extradition treaty with the United States. In some instances the Bolivian government has been cooperative with U.S. law enforcement (e.g., on boarding requests for Bolivian-flagged vessels.) However, overall there is little law enforcement cooperation between Bolivia and the United States.

According to available data, there were approximately 60 money laundering-related prosecutions in 2017, up from 35 reported in 2016. Conviction data is not available.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Bolivia does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

Bolivia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Bolivia is not considered an Offshore Financial Centre

Reports

US State Dept Narcotics Report 2017 (introduction):

According to coca cultivation estimates from the United States government, the Government of Bolivia, and the UN Office on Drugs and Crime (UNODC), Bolivia is the third largest producer of cocaine in the world. It is also a major transit zone for Peruvian cocaine. The United States estimates that coca cultivation increased by 1,500 ha (to 36,500 ha) from 2014 to 2015. The Government of Bolivia has inadequate controls over its domestic coca cultivation. Most Bolivian cocaine is exported to other Latin American countries, especially Brazil, for domestic consumption or for onward transit to West Africa and Europe, rather than to the United States.

In September 2016, the United States again determined that Bolivia “failed demonstrably” to adhere to its obligations under international counternarcotics agreements and the U.S. Foreign Assistance Act of 1961, as amended. This Presidential determination was based, in part, on insufficient Bolivian law enforcement efforts to disrupt and dismantle drug trafficking organizations and inadequate Bolivian controls to prevent the diversion of “legal” coca cultivation to illicit cocaine production during the previous year.

According to 2015 data from the latest UNODC/Bolivian government report, more coca is sold in the Yungas legal market than is grown in that region, the largest coca growing region in Bolivia. Nearly all of the coca grown in Cochabamba’s Chapare region (the second largest area for coca cultivation), is diverted away from the legal market. Bolivian President Evo Morales is also the president of the coca growers’ federation in that region. Peruvian officials estimate that 50 percent of all Peruvian cocaine departs to or through Bolivia via aerial transshipment, commonly known as the “air bridge.” Bolivia reportedly confiscated 11 aircraft involved in drug trafficking in 2016, down from 39 reportedly seized in 2015 by the Special Counter-Narcotics Police Force (FELCN), and the Bolivian government destroyed 24 clandestine air strips in 2016. In October 2016, Argentina reported an average of one illegal drug flight per day from Bolivia.

In traditional coca cultivation areas, Bolivia maintains a “social control” policy to illicit coca production. Under this approach, the government usually negotiates with coca growers to obtain their consent for eradication. In nontraditional areas, including national parks, eradication is mandatory.

Conclusion

Bolivia remains the third largest producer of coca and cocaine in the world and a major transit country for Peruvian cocaine. U.S. data shows that Bolivian coca cultivation is increasing. The Bolivian government and UNODC claim coca cultivation is decreasing. More importantly, according to U.S. data, potential cocaine production in Bolivia has doubled over the past decade, to 255 metric tons. Neither UNODC nor the Government of Bolivia has information that would confirm or dispute this assessment. Further, there appears to be no data to support the Bolivian government’s claims that traditional, cultural, and medicinal coca consumption has increased to justify raising the legal limit of coca cultivation from 12,000 ha to 20,000 ha, as the Government of Bolivia has proposed.

Bolivia's inadequate controls over its legal markets are also a matter of concern. Similarly, the regular use of Bolivia as a transit point for cocaine trafficking has transnational impacts, particularly on Bolivia's neighbors. Bolivia's policy allowing the cultivation of 20,000 ha of coca exceeds the amount of coca needed for traditional purposes by approximately 36 percent, per recent EU reporting, and exceeds current Bolivian legal limits by 60 percent. In 2013, Bolivia re-acceded to the 1961 U.N. Single Convention on Narcotic Drugs with a reservation permitting coca to be used only within Bolivia for traditional, cultural, and medicinal purposes. Despite these stated conditions, Bolivia continues to promote the use of coca in other countries and discusses potential export opportunities for coca products. These actions continue to undermine Bolivia's commitments to its international drug control obligations.

US State Dept Trafficking in Persons Report 2016 (introduction):

Bolivia is classified a Tier 2 (watch list) country - A country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Bolivia is principally a source country for men, women, and children exploited in sex trafficking and forced labor within the country and abroad. To a more limited extent, women from neighboring countries, including Brazil, Colombia, and Paraguay, have been found in sex trafficking in Bolivia. Civil society and media report Bolivia serves as a transit and destination country for migrants from Africa, Chile, and the Caribbean, some of whom become victims of forced labor and sex trafficking. Rural and poor Bolivians, most of whom are indigenous, and LGBTI youth are particularly vulnerable to sex and labor trafficking. Bolivian women and girls are found in sex trafficking within Bolivia and in neighboring countries such as Argentina, Brazil, Panama, Peru, and Chile. Within the country, Bolivian men, women, and children are found in forced labor in domestic service, mining, ranching, and agriculture. Media report cases of children forced to commit crimes, such as robbery and drug production, and others exploited in forced begging. A significant number of Bolivians are found in forced labor in Argentina, Brazil, and Chile, other countries in sweatshops, agriculture, domestic service, textile factories, and the informal sector. Media reports also indicate traffickers, including extended families with ties to the communities and groups they exploit, use social and online networks to advertise high-paying jobs abroad to recruit vulnerable populations. Traffickers also exploit the absence of a national registry of employment agencies to establish informal temporary employment agencies, through which they identify and recruit potential victims. Some suspected traffickers reportedly bribe officials to avoid facing justice.

The Government of Bolivia does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these measures, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Bolivia is placed on Tier 2 Watch List for the third consecutive year. Per the Trafficking Victims Protection Act, Bolivia was granted a waiver from an otherwise required downgrade to Tier 3 because its government has devoted sufficient resources to a written plan that, if implemented, would constitute significant efforts to meet the minimum standards. The government published and resourced its 2015-2019 national anti-trafficking action plan aimed at prevention, protection, and prosecution, as well as national and international coordination. The government devoted 18 million bolivianos ($2.6 million) for 2015 of an estimated 60 million bolivianos ($8.7 million) budget to implement the plan from 2015-2019. Authorities reportedly convicted five traffickers but did not report the total number of victims identified, referred, or assisted in 2015, or the kinds of services these victims received.

US State Dept Terrorism Report 2011

Overview: There were no domestic or international terrorist incidents in Bolivia in 2011, and the threat of terrorism remained relatively low.

Legislation and Law Enforcement: In September, the Bolivian government passed a law that punishes supporting or participating in a terrorist group with prison sentences of 15-20 years. Bolivia also expanded its issuance of biometric passports to its citizens although it lacks biometric capabilities at its ports of entry.

In 2011, there were two reported arrests of individuals linked to the Peru-based terrorist group Sendero Luminoso (Shining Path or SL):

On June 27, a member of SL who had escaped from prison in Peru was arrested in Antaquilla, Bolivia. He was captured with five other Peruvians and a Bolivian involved in drug trafficking, all of whom were disguised in counternarcotic police uniforms. He was subsequently extradited to Peru. On August 2, four persons with alleged SL links were arrested in El Alto after distributing pamphlets allegedly speaking out against Evo Morales and encouraging militant Marxist doctrine. Three of the individuals were extradited to Peru and one remained in Bolivia as a political refugee.

Countering Terrorist Financing: In September, the government passed new legislation criminalizing the intentional “direct or indirect collection, transfer, delivery, possession or management of funds, property, or resources” for the purposes of terrorism, punishable by 15-20 years in prison. This law also made terrorist financing a crime independent of related offenses.

There was one ongoing investigation regarding alleged terrorist financing. On July 21, the Bolivian government expanded the 2009 Rozsa terrorism investigation to include possible financiers. The Government of Bolivia suspected 15 people of providing financial support to an alleged terrorist group based in Santa Cruz, and maintained that the group was trying to assassinate President Morales and divide the country. Opposition leaders denounced the investigation as politically motivated because a number of opposition leaders were named in the indictment. The investigation continued at year's end.

There was no law that expressly called for the monitoring of Non- Governmental Organizations' (NGO) finances. Banks were also required to report suspicious transactions, including those of NGOs.

For further information on money laundering and financial crimes, we refer you to the 2011 International Narcotics Control Strategy Report (INCSR), Volume 2, Money Laundering and Financial Crimes: http://www.state.gov/j/inl/rls/nrcrpt/index.htm.

Regional and International Cooperation: The Government of Bolivia cooperated with Peru, Colombia, and surrounding countries on counterterrorism. Bolivia is a member of the Southern Common Market and participated in meetings of the Organization of American States' Inter-American Committee Against Terrorism.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	33
World Governance Indicator – Control of Corruption	27

Corruption is a significant obstacle to business in Bolivia. Large networks of patronage and clientelism permeate several sectors of the economy, including public procurement and the natural resource industries. The Bolivian Penal Code and the Law against Corruption, Illicit Enrichment, and the Investigation of Assets (in Spanish) comprise the legal anti-corruption framework of the country and criminalize most corruption offences, including active and passive bribery, the bribery of foreign officials, extortion and abuse of office. Nonetheless, anti-corruption laws are poorly enforced, and impunity among government officials and public servants is a problem. Bribery is widespread in almost all sectors of the economy. **Information provided by GAN Integrity.**

US State Department

Corruption continues to be a serious problem in Bolivia. Transparency International ranked Bolivia 106 out of 177 countries in its 2013 Corruption Perceptions Index. Thirty percent of Bolivians surveyed by Transparency International reported paying at least one bribe in 2010, the most recent year surveyed for this indicator. An August 6, 2012 Captura Consulting poll found 28 percent of citizens noted corruption as the country's main problem.

The Ministry of Institutional Transparency and the Fight Against Corruption, created in 2009 by Supreme Decree (#29894), is in charge of promoting policies against corruption and is empowered to investigate corruption cases at any level in any branch of government. In March 2010, the Bolivian Congress approved a "Fight Against Corruption, Illicit Enrichment, and Wealth Investigation" law (#004). This law gives the Bolivian government wide-ranging authority to investigate possible cases of corruption in the private and public sectors. However, due to an over-burdened judicial system dealing with corruption issues itself, most corrupt officials operated with impunity. On August 17, 2012, Transparency Minister Nardy Suxo stated that of 8,000 corruption cases, only 100 people had been sentenced, which she attributed to poor coordination in the Attorney General's Office.

Cases involving allegations of corruption against the president and vice president require congressional approval before prosecutors may initiate legal proceedings. The law requires public officials to report potential personal and financial conflicts of interest and to declare their income and assets. The law mandates that elected and appointed officials disclose their financial information to the Auditor General, but the declaration is not available to the public. Noncompliance shall result in internal sanctions, including dismissal. If criminal activity is detected, the Auditor General must refer the case to the Office of the Attorney General.

Bribery is a criminal offense in Bolivia. Bolivia signed the UN Anticorruption Convention in December 2003 and ratified it in December 2005. Bolivia is not a signatory of the OECD Convention on Combating Bribery of Foreign Public Officials. Bolivia is part of the Organization of American States' Inter-American Convention against Corruption and the Follow-Up Mechanism for its Implementation. There is an Ombudsman appointed by Congress and charged with protecting human rights and guarding against government abuse. In his 2012 annual report, the Ombudsman cited the judicial system, the attorney general's office, and the police as the most persistent violators of human rights due to widespread inefficiencies and corruption. Public opinion reflected the Ombudsman's statements. The Transparency International poll found that Bolivian citizens believe the most corrupt institutions in Bolivia are the judiciary, political parties, public officials, and the Bolivian Police.

Corruption and Government Transparency - Report by Global Security

Political Climate

Bolivia has gone through profound political changes in recent years, characterised by civil unrest, political instability and corruption. Increasing polarisation was spurred in 2008 by an intense debate over a proposal for a new constitution, which led to violent clashes when opposition and pro-government supporters confronted each other in street protests. In January 2009, 61% of Bolivians voted in favour of a new constitution (in Spanish), which strengthened the rights of Bolivia's Indigenous peoples, increased regional autonomy, established state control over natural resources and allowed President Evo Morales to run for a second term in office in the December 2009 general elections. The polarisation of the Bolivian political arena was underlined when a majority of voters in Bolivia's four eastern regions rejected the new constitution. Opposition parties have a strong support base in these regions which account for most of Bolivia's natural gas production.

Evo Morales, leader of the Movement Toward Socialism (MAS), was elected President in 2005 following an electoral campaign promising massive social reforms based on nationalisation of the country's natural resources and on empowering Bolivia's Indigenous majority. The election of Morales has led to noteworthy changes in political and economic policies, the most drastic of these being the nationalisation of the natural gas sector, which has been empowered by the new constitution. Morales also made the fight against corruption a key campaign issue in 2005 and declared a zero tolerance line against it. His administration has established the Ministry for Institutional Transparency and the Fight Against Corruption (in Spanish) in February 2009, replacing the former Vice Ministry of the same name. In March 2010, the long-awaited Law against Corruption, Illicit Enrichment, and the Investigation of Assets (in Spanish) was finally passed, introducing new procedures to monitor state resources as well as mechanisms to hold former presidents and officials accountable for past acts of corruption. Another important law has been the Provisional Law for the Functioning of Autonomous Territorial Entities (in Spanish) of May 2010, which gives the central government prosecutors the right to suspend governors who have criminal accusations against them. Several high-ranking civil servants in the public institutions most affected by corruption have been investigated, prosecuted and fired, including several MAS appointees following a job-selling scandal. However, according to the Bertelsmann Foundation 2012, these clamp-downs have not been followed by an attempt to reform the lack of transparency and the patronage structures behind the corruption scandals. Mandatory examinations for all public auditors within government ministries have now been introduced. However, according to various observers, the Morales administration continues to suffer from some of the same deficiencies as previous governments, and cases of unlawful enrichment by local government officials continue to appear. In December 2009, Evo Morales was granted a second term in office, when he won the presidential election with about 63% of the votes. In the concurrent parliamentary elections MAS won the majority of the seats in both the Congress and the Senate, the two chambers of the Plurinational Legislative Assembly, thus enabling the party to initiate further reforms. In his election campaign, Morales promised to continue the nationalisation of mineral reserves, to secure agricultural insurance for peasants, to industrialise Bolivia's substantial lithium reserves and to provide social services such as universal health care.

It is widely acknowledged that high levels of corruption among the elite and within the state administration sustain the country's social inequality and undermine the fight against poverty. Corruption in Bolivia pervades all levels of society, and the use of facilitation payments is so widespread that some observers describe corruption as an institutionalised and socially accepted norm. According to the Transparency International's Global Corruption Barometer 2010, Bolivian households consider the judiciary and political parties to be particularly affected by corruption. The survey also reveals varying public opinions on the effectiveness of the government's fight against corruption, as 47% of the respondents perceive the government's efforts to be 'inefficient', while 27% perceive them as 'efficient'. Latinobarómetro 2011 (see English version) reports that 46% of the surveyed citizens believe that in order to improve the democracy in Bolivia, corruption needs to be reduced, while 29% of the respondents pointed to a need for an increase in transparency of the government. According to the US Department of State 2008, bribery and fraud result in the disappearance of about USD 130 million from the national treasury annually.

Business and Corruption

In principle, Bolivia offers the necessary conditions for a well-functioning private sector in which foreign companies can operate freely. According to the US Department of State 2010, foreign companies are not subject to special registration requirements, but they might be negatively affected by inconsistent and arbitrary regulatory decisions and widespread corruption. Business executives surveyed in the World Economic Forum Global Competitiveness Report 2011-2012 rank Bolivian rules governing FDI among the most unattractive in the world. According to many sources, Bolivia remains a difficult place to do business in practice, due to rampant corruption and state intervention in a number of sectors. Increasing nationalisation of natural resource sectors in the country, such as water supply, energy and natural gas, has led foreign investors to doubt the attractiveness of the Bolivian market. According to Transparency International's Global Corruption Report 2009, the overall costs of starting a company in Bolivia exceed the average per capita income, thus making it difficult for many informal entrepreneurs to pass to a formal status. Bolivia's informal economy reaches what corresponds to more than 50% of the country's official GDP. In the World Economic Forum Global Competitiveness Report 2011-2012, business executives rank access to financing, followed by restrictive labour regulations and foreign currency regulations as the three most problematic factors for doing business in Bolivia. Corruption is now ranked as the seventh most problematic factor for doing business, compared to the Global Competitiveness Report 2010-2011, in which corruption was ranked as the third most problematic factor. According to the 2011-2012 report, business executives also report that the unethical behaviour of companies in their interactions with public officials, politicians and other companies represents a strong competitive business disadvantage for Bolivia.

In the World Bank & IFC Enterprise Surveys 2010, three out of five companies identify corruption as a major constraint for their business operations in Bolivia, and approximately one out of five companies expects to give gifts to public officials to 'get things done'. Interactions with tax officials, the customs services and the judicial system often involve demands for facilitation payments in order to expedite bureaucratic procedures and to circumvent complicated and time-consuming administrative procedures. According to the World Economic Forum Global Competitiveness Report 2011-2012, the occurrence of undocumented extra payments and bribes in Bolivia is common. There are reportedly many legal disputes between companies and the state or workers regarding interpretation of Bolivian labour laws. It is common that companies involved in such disputes are asked for bribes by court officials in return for favourable rulings.

The high levels of corruption combined with considerable political and social instability make Bolivia a risky place to do business. Hence, companies are advised to develop, implement and strengthen internal integrity systems and to carry out extensive due diligence before committing funds and when already doing business in the country.

Regulatory Environment

Despite controversial policies by the government, Bolivia has experienced relatively strong and stable economic growth since Morales assumed office in January 2006. However, there are several obstacles and points to consider before starting business operations in the country. A significant hurdle for business operations in Bolivia is the abundance of administrative procedures. Business executives surveyed by the World Economic Forum Global Competitiveness Report 2011-2012 report that inefficient government bureaucracy is among the most problematic factors for doing business in Bolivia. According to the same survey, when business executives are asked about the burden of government regulations, they give Bolivia a score of 3.2 on a 7-point scale (1 'extremely burdensome' and 7 'not burdensome at all'). Moreover, business executives surveyed by the same report indicate that obtaining information about changes to government policies and regulations affecting their industries is highly problematic. According to the World Bank & IFC Doing Business 2012, it takes an average of 15 procedures and 50 days to start a company in Bolivia at a cost of 90.4% of GNI per capita. The World Bank & IFC Enterprise Surveys 2010 report that senior management must spend 28.5% of its time on average dealing with the requirements of government regulations. Starting a company requires several licences and permits, and companies report that obtaining operating licences from municipalities and that registering at the National Chamber of Commerce (NCC, in Spanish) and at the Caja Nacional de Salud (in Spanish) are difficult and time-consuming tasks. In addition, many public agencies are only located in La Paz, which makes starting and operating a business outside the capital difficult. Frequent visits by tax inspectors and shifting tax laws also constitute a considerable burden for companies. Companies seeking to establish themselves in Bolivia should consult the governmental web portal, Trámites Bolivia (in Spanish), for investment information, including guidelines for procedures, requirements and a collection of electronic formulas. The portal has been established with the aim to reduce regulations and procedures and contains a function, where users can propose new ways of simplifying procedures.

Various important economic sectors have been subject to Morales' nationalisation reforms, first and foremost being the natural gas and mining sectors. Companies should be aware of the subsequent changes in hydrocarbons legislation and nationalisation policy changes. In 2006, foreign and private companies in this sector were given six months to sell at least 51% of their holdings to the state-owned oil and gas company, Yacimientos Petroliferos Fiscales Bolivianos (YPFB), and to negotiate new contracts or leave the country. Furthermore, an additional 32% tax on revenues for the hydrocarbon sector has been imposed. Morales has declared all Bolivian territory a public mining reserve, and the state mining company, COMIBOL, is now in charge of administering all mineral wealth in Bolivia. This means that foreign mining companies can only work under concession from COMIBOL.

According to US Department of State 2010, the legal process related to buying land is time-consuming and may be subject to political influence and corruption. Inefficiencies and corruption in the Bolivian judiciary make settling commercial disputes, including disputes over property rights, a time-consuming and unreliable task. Due to a weak and corrupt judiciary, most commercial disputes are settled out of court. It is generally recommended that companies include an international arbitration clause in all contracts with Bolivian private and public entities. In an attempt to circumvent these problematic dispute settlement mechanisms, a local Arbitration Tribunal has recently been established by the NCC. Furthermore, the Investment Law of 1990 provides for investors to submit their complaints to arbitration in accordance with the constitution and international norms. The Bolivian government accepts binding international arbitration in all sectors. The law states that international arbitral decisions, such as those made in accordance with the New York Convention of 1958 must be honoured. However, Bolivia withdrew from the International Centre for the Settlement of Investment Disputes (ICSID) in 2007 and, as assessed by the US Department of State 2010, the Constitution 2009 (in Spanish) contains formulations that seem to limit the possibility for international companies to apply for international arbitration. Access the Lexadin World Law Guide for a collection of legislation in Bolivia.

Section 3 - Economy

Bolivia is a resource rich country with strong growth attributed to captive markets for natural gas exports – to Brazil and Argentina. Gas accounts for roughly 50% of Bolivia's total exports and will fund more than half of its 2015 budget. However, the country remains one of the least developed countries in Latin America because of state-oriented policies that deter investment and growth.

Following a disastrous economic crisis during the early 1980s, reforms spurred private investment, stimulated economic growth, and cut poverty rates in the 1990s. The period 2003-05 was characterized by political instability, racial tensions, and violent protests against plans - subsequently abandoned - to export Bolivia's newly discovered natural gas reserves to large Northern Hemisphere markets. In 2005, the government passed a controversial hydrocarbons law that imposed significantly higher royalties and required foreign firms then operating under risk-sharing contracts to surrender all production to the state energy company in exchange for a predetermined service fee. The global recession slowed growth, but Bolivia recorded the highest growth rate in South America during 2009 and has averaged 5.3% growth each year since 2009. High commodity prices between 2010 and 2013 sustained rapid growth and large trade surpluses. The global decline in oil prices in late 2014 exerted downward pressure on the price Bolivia receives for exported gas and resulted in lower GDP growth rates and losses in government revenue in 2015.

A lack of foreign investment in the key sectors of mining and hydrocarbons, along with conflict among social groups, pose challenges for the Bolivian economy. In 2015, President Evo MORALES expanded efforts to court international investment and boost Bolivia's energy production capacity. MORALES passed an investment law and promised not to nationalize additional industries in an effort to improve the investment climate.

Agriculture - products:

soybeans, quinoa, Brazil nuts, sugarcane, coffee, corn, rice, potatoes, chia, coca

Industries:

mining, smelting, petroleum, food and beverages, tobacco, handicrafts, clothing, jewellery

Exports - commodities:

natural gas, mineral ores, gold, soybeans and soy products, tin

Exports - partners:

Brazil 28.1%, Argentina 16.9%, US 12.1%, Colombia 6.3%, China 5.3%, Japan 4.7%, South Korea 4.3% (2015)

Imports - commodities:

machinery, petroleum products, vehicles, iron and steel, plastics

Imports - partners:

China 17.9%, Brazil 16.5%, Argentina 11.8%, US 10.6%, Peru 6.2%, Japan 5.2%, Chile 4.6% (2015)

Banking

Bolivia's banking system includes the Central Bank and 13 privately owned banks. Approximately four-fifths are commercial banks. The remaining one-fifth are savings and loan organizations, credit unions, and other financial institutions. As of December 2008, deposits totaled an estimated $6.97 billion, of which nearly 54% were U.S. dollar-denominated deposits. During 2009, deposits totaled $8.3 billion (ASFI).

The 1993 Banking Law significantly modernized Bolivia's banking system, establishing rules to govern factoring and leasing and setting parameters for bank holding companies. The 1995 Central Bank Law later redefined the Central Bank's and ASFI's roles within the banking sector, setting reserve requirements according to monetary policy goals and eliminating the insider lending that led to the collapse of many Bolivian banks.

The Bolivian government enacted additional changes to the financial regulatory framework in the late 1990s. Several laws have established norms for the non-banking financial system and introduced regulations governing pensions, insurance, and securities. According to the new constitution (Art 366) the monetary and exchange rate policy will be determined by the Ministry of Economy in coordination with the Central Bank of Bolivia. At the same time, laws also authorized the creation of private financial funds, savings and loans cooperatives, and non-governmental organizations to improve access to credit and other financial services.

Supreme Decree 28999 (dated January 1, 2007) created a new state-owned financial institution (Productive Development Bank – BDP) to provide low-rate credit to small businesses. The Morales administration simultaneously announced plans to change pension regulations due to high costs. As of February 2009, however, there have been no concrete plans set forth.

Stock Exchange

The Bolivian Stock Exchange is called the Bolsa Boliviana de Valores SA.

Established Bolivian firms may issue short- or medium-term debt in local capital markets, which act primarily as secondary markets for fixed return securities. Bolivian capital markets have sought to expand their handling of local corporate bond issues and equity instruments. The securities law (Law 1834, 1998) laid the groundwork for creating a truly modern securities exchange, but social unrest and economic disruptions have slowed its development. Over the last few years, several Bolivian companies and some foreign firms have been able to raise funding through local capital markets.

2011 IMF Report Extract (June 2, 2011):

Key Issues raised

Short-term prospects.
With a supportive external environment, real GDP growth is projected at 4.5 percent in 2011, and the external current account would remain in surplus. A key policy priority is to secure a return to low inflation, after a sharp increase in recent months. Monetary conditions would

need to be tightened and interest rates allowed to rise from currently negative levels in real terms. A faster appreciation of the boliviano, which is estimated to be moderately undervalued, would contribute to offset external inflation pressures.

Strengthening the macroeconomic policy framework.
In 2011, the overall surplus of the public sector is projected to narrow from 2 percent of GDP to about 0.7 percent of GDP. The authorities are encouraged to put in place a medium-term fiscal framework to manage hydrocarbon wealth and avoid pro-cyclical public spending. As the number and activities of state-owned enterprises has expanded, greater transparency and accountability in their operations would help contain fiscal risks and improve their effectiveness.

Maintaining financial sector soundness.
Financial sector indicators are strong, banks appear resilient to a range of shocks, and dollarization has declined. Regulations should be geared toward preserving the solvency of banks and the resources assigned to supervision should be increased. The crisis management framework needs strengthening.

Enhancing medium-term growth and social protection.
Sustaining high and stable medium-term growth will require improvements in the investment climate, including by ensuring stability in the legal framework. While social policies have been effective and Bolivia has made inroads towards achieving MDGs, enhancing the targeting of transfer programs will help further improve the condition of the most vulnerable groups.

Section 4 - Investment Climate

Executive Summary

Bolivia's investment climate has remained relatively steady over the past five years. There have been some changes related to intellectual property and import requirements. Lack of legal security, weak rule of law, corruption, and murky international arbitration measures are all significant impediments to investment in Bolivia. At the moment, there is no significant foreign direct investment from the United States in Bolivia, and there are no initiatives designed specifically to encourage U.S. investment.

The Bolivian Constitution grants citizens and foreigners the right to private property but stipulates that the property must serve a social or economic function. If the government determines that a given property is not sufficiently useful (according to its own unclear criteria), the constitution allows the government to expropriate the property. The agricultural sector has been most hard hit by this policy due to uncertainty from year to year about whether farm land would be productive. In 2013, the government granted amnesty from the productive requirement to farmers who were impacted by forest fires; and in 2015, the government agreed to do away with the annual productivity inspections and reduce their frequency from every two to every five years, though the Congress has not yet passed these modifications. There are other laws that limit access to land, forest, water and other natural resources by foreigners in Bolivia. Bolivia lacks an adequate system of title verification and challenges to land titles are common. The absence of a reliable dispute resolution process adds to the risk and uncertainty in real property acquisition.

The investment rate as percentage of GDP (19%) is fairly low. The average rate in South America is 20% and is 22% in Colombia, Chile and Peru. There has also been a shift from private to public investment. In recent years private investment was particularly low because of the deterioration of the business environment since the beginning of the nationalization process in 2006. From 2006 to 2014, private investment, including local and foreign investment, averaged 7.5% of GDP. From 2006 to the present, public investment grew significantly, reaching an annual average of 12% of GDP. Prior to 2006 public investment averaged 6% of GDP.

FDI is highly concentrated in natural resources, especially hydrocarbons and mining, which account for nearly two-thirds of FDI. Since 2006 the net flow of FDI averaged 3% of GDP. Before 2006 it averaged around 8% of GDP.

In an effort to attract more investment, the government enacted an investment law in 2014, which says that each Ministry will provide incentives for sector-specific investment. To date, no Ministry has provided any such incentives.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	99 of 168	transparency.org/cpi2014/results

World Bank's Doing Business Report "Ease of Doing Business"	2015	157 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	104 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2015	NA(*)	BEA/Host government
World Bank GNI per capita	2014	2870	data.worldbank.org/indicator/NY.GNP.PCAP.CD

(*) According to the BEA there is no FDI from the US in Bolivia

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation Scorecard for Bolivia is mixed. Bolivia received "red" grades on regulatory quality, gender in the economy, access to credit, and business start-up in the economic freedom category. In terms of investing in people indicators, girls' secondary education enrollment, child health, rule of law, and control of corruption, all received red scores. Complete results can be found at: https://assets.mcc.gov/scorecards/score-fy15-english-bolivia.pdf.

1. Openness To, and Restrictions Upon, Foreign Investment

In general, Bolivia remains open to foreign direct investment. The 2014 investment law guarantees equal treatment for national and foreign firms, however it also stipulates that public investment has priority over private investment (both national and foreign) and that the Bolivian Government will determine which sectors require private investment. It also prohibits international arbitration.

U.S. companies interested in investing in Bolivia should note that Bolivia has abrogated the Bilateral Investment Treaties (BIT) it signed with the United States and a number of other countries. The Bolivian Government claimed the abrogation was necessary for Bolivia to comply with the 2009 Constitution. Companies that invested under the U.S. –Bolivia BIT will be covered until June 10, 2022, but investments made after June 10, 2012 are not covered.

Other Investment Policy Reviews

In the past three years, there have been no other investment policy reviews.

Laws/Regulations on Foreign Direct Investment

Pursuant to Article 320 of the 2009 Constitution, Bolivia no longer recognizes international arbitration forums. The parties also cannot settle the dispute in an international court. However, the implementation of this Article is still uncertain, because there is no implementing law to accompany the Constitutional framework.

Specifically, Article 320 of the Bolivian Constitution states:

1. Bolivian investment takes priority over foreign investment.

2. Every foreign investment will be subject to Bolivian jurisdiction, laws, and authorities, and no one may invoke a situation for exception, nor appeal to diplomatic claims to obtain more favorable treatment.

3. Economic relations with foreign states or enterprises shall be conducted under conditions of independence, mutual respect and equity. More favorable conditions may not be granted to foreign states or enterprises than those established for Bolivians.

4. The state makes all decisions on internal economic policy independently and will not accept demands or conditions imposed on this policy by states, banks or Bolivian or foreign financial institutions, multilateral entities or transnational enterprises.

5. Public policies will promote internal consumption of products made in Bolivia.

Article 262 of the Constitution states:

"The fifty kilometers from the borderline constitute the zone of border security. No foreign person, individual, or company may acquire property in this space, directly or indirectly, nor possess any property right in the waters, soil or subsoil, except in the case of state necessity declared by express law approved by two thirds of the Plurinational Legislative Assembly. The property or the possession affected in case of non-compliance with this prohibition will pass to the benefit of the state, without any indemnity."

The judicial system faces a huge backlog of cases, is short staffed, lacks resources, and has problems with corruption. Swift resolution of cases, either initiated by investors or against them, is unlikely. The Marcelo Quiroga Anti-Corruption law of 2010 makes companies and their signatories criminally liable for breach of contract with the government, and the law can be applied retroactively. Authorities can use this threat of criminal prosecution to force settlement of disputes. Commercial disputes can often lead to criminal charges. Cases are processed slowly, and suspects can be held legally for 18 months without formal charge as a case is investigated, and for 36 months before their case is resolved by a judge. Foreigners are more likely to be deemed a flight risk than Bolivian nationals and, as such, may not receive bail in lieu of pretrial incarceration. See our Human Rights Report as background on the judicial system, labor rights and other important issues.

Article 129 of the Bolivian Arbitration Law No. 708, established that all controversies and disputes that arise regarding investment in Bolivia will have to be addressed inside Bolivia under Bolivian Laws. Consequently, international arbitration is not allowed.

Business Registration

Fundempresa is a mixed public/private organization authorized by the central government to register and certify new businesses. Its website is www.fundempresa.org.bo and the business registration process is laid out clearly within the tab labeled “processes, requirements and forms,” however the registration cannot be completed entirely online. A user can download the required forms from the site and can fill them out online, but would then have to mail them or deliver them to the relevant offices. A foreign applicant would be able to use the registration forms. The forms do ask for a "cedula de identidad," which is a national identification document; however foreign users instead usually enter the data for their passports.

The steps to register a business are: (1) register and receive a certificate from Fundempresa; (2) register with the Bolivian Internal Revenue institution and receive a tax identification number; (3) register and receive authorization to operate from the municipal government in which the company will be established; (4) if the company has employees, it must register with the national health insurance service and the national retirement pension agency in order to contribute on the employees' behalf; and (5) if the company has employees, it must register with the Ministry of Labor. According to Fundempresa, the process should take 30 days from start to finish. All steps are required and there is no simplified business creation regime.

Bolivia does not have an investment promotion agency to facilitate foreign investment. However, the media has reported the possibility of the central government implementing a Vice Ministry of Investment Promotion. No concrete plans have yet been released.

Bolivian law clearly defines only "micro" and "small businesses." The terms "medium" and "large" business are also used regularly across various industries, however their meanings are not universally understood and they are sometimes used interchangeably. The National Statistics Institute defines a micro business as one that has between 1 and 9 employees with annual revenue of up to US$187,000 per year. A small business has 10 to 19 employees and brings in between $187,001 and $937, 777 annually.

Industrial Promotion

Although the Bolivian Government frequently mentions that it would like to attract new foreign direct investment, it has done little to do so. There are no active campaigns to recruit foreign companies and the ruling government often criticizes capitalism and neoliberal policies.

Limits on Foreign Control and Right to Private Ownership and Establishment

In general, there is no requirement that a Bolivian National's shares of stock in companies, or foreign equity be reduced over time. There are some areas where investors may judge that special treatment is being given to their Bolivian competitors, for example in key sectors where private companies compete with state owned enterprises. Additionally, foreign investment is not allowed in matters relating directly to national security. And only the government can own natural resources.

The Constitution specifies that all hydrocarbon resources are the property of the Bolivian people and that the state will assume control over their exploration, exploitation, industrialization, transport, and marketing (Articles 348 and 351). The state-owned and operated company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) manages hydrocarbons transport and sales and is responsible for ensuring that the domestic market demand is satisfied at prices set by the hydrocarbons regulator before allowing any hydrocarbon exports. YPFB benefitted from government action in 2006 that required operators to turn over all of their production to it and to sign new contracts that gave YPFB control over the distribution of gasoline, diesel, and liquid petroleum gas (LPG) to gas stations. The law allows YPFB to enter into joint venture contracts for limited periods with national or foreign individuals or companies wishing to exploit or trade hydrocarbons or their derivatives. For companies working in the industry, contracts are negotiated on a service contract basis and there are no restrictions on ownership percentages of the companies providing the services.

The Constitution (Article 366) specifies that every foreign enterprise that conducts activities in the hydrocarbons production chain will submit to the sovereignty of the state, and to the laws and authority of the state. No foreign court case or foreign jurisdiction will be recognized, and foreign investors may not invoke any exceptional situation for international arbitration, nor appeal to diplomatic claims.

According to the Constitution, no concessions or contracts may transfer the ownership of natural resources or other strategic industries to private interests. Instead temporary authorizations to use these resources may be requested at the pertinent ministry (mining, water and environment, public works, etc.). The Bolivian Government is still renegotiating commercial agreements related to forestry, mining, telecommunications, electricity, and water services, in order to comply with these regulations.

The Telecommunications, Technology and Communications General Law (Law 164, Article 28) stipulates that the licenses for radio broadcasts will not be given to foreign persons or entities. Further, in the case of broadcasting associations, the share of foreign investors cannot exceed 25% of the total investment, except in those cases approved by the state or by international treaties.

Privatization Program

There are currently no privatization programs in Bolivia.

Screening of FDI

The Central Bank of Bolivia is responsible for registering all foreign investments. According to the new investment law, any investment will be monitored by the ministry related to the particular sector. For example, the Mining Ministry is in charge of overseeing all public and private mining investments. Each Ministry should assess industry compliance with the incentive objectives. To date, only the Ministry of Hydrocarbons and Energy has enacted a Law (N 767) to incentivize the exploration and production of hydrocarbons.

Competition Law

Bolivia does not have a competition law. However, Article 314 of the 2009 Constitution prohibits private monopolies. Based on this article, in 2009 the Bolivian Government created an office to supervise and control private companies (http://www.autoridadempresas.gob.bo/). Among its most important goals are: regulating, promoting, and protecting free competition; trade relations between traders; implementing control mechanisms and social projects, and voluntary corporate responsibility; corporate restructuring, supervising, verifying and monitoring companies with economic activities in the country in the field of commercial registration and seeking compliance with legal and financial development of its activities; and qualifying institutional management efficiency, timeliness, transparency and social commitment to contribute to the achievement of corporate goals.

2. Conversion and Transfer Policies

Foreign Exchange

Currency is freely convertible at Bolivian banks and exchange houses. The Bolivian Government describes its official exchange system is described as an “incomplete crawling peg." Under this system, the exchange rate is fixed, but undergoes micro-readjustments which are not pre-announced to the public. There is a spread of ten basis points between the exchange rate for buying and selling U.S. dollars. The Peso Boliviano (Bs) has remained fixed at 6.96 Bs/$1 for selling and 6.86 Bs/$1 for buying since October 2011. The parallel rate closely tracks the official rate, suggesting the market finds the Central Bank’s policy acceptable. In order to avoid distortions in the exchange rate market, the Central Bank requires all currency exchange to occur at the official rate ±1 basis point.

The Banking Law (#393, 2013) establishes regulations for foreign currency hedging and authorizes banks to maintain accounts in foreign currencies. A significant, but dropping, percentage of deposits are denominated in U.S. dollars (currently less than 20% of total deposits). Bolivian law currently allows repatriation of profits, with a 12.5% withholding tax. However, a provision of the 2009 Constitution (Article 351.2) requires reinvestment within Bolivia of private profits from natural resources. Until specific implementing legislation is passed, it is unclear how this provision will be applied. In addition, all bank transfers in U.S. dollars within the financial system and leaving the country must pay a Financial Transaction Tax (ITF) of .03%. This tax applies to foreign transactions for U.S. dollars leaving Bolivia, not to money transferred internally.

Any banking transaction above $10,000 (in one operation or over three consecutive days) requires a form stating the source of funds. In addition, any hard currency cash transfer from or to Bolivia equal to or greater than $10,000 must be registered with the customs office. Amounts between $50,000 and $500,000 require authorization by the Central Bank and quantities above $500,000 require authorization by the Ministry of the Economy and Public Finance. The fine for underreporting any cash transaction is equal to 30% of the difference between the declared amount and the quantity of money found. The reporting standard is international, but many private companies in Bolivia find the application cumbersome due to the government requirement for detailed transaction breakdowns rather than allowing for blanket transaction reporting.

Administrative Resolution 398/10 approved in June 2010 forces Bolivian banks to reduce their investments and/or assets outside the country to an amount that does not exceed 50% of the value of their net equity.

The Central Bank charges a fee for different kinds of international transactions related to banking and trade. The current list of fees and the details can be found at: https://www.bcb.gob.bo/webdocs/01_resoluciones/RD%20018%202016.pdf.

Of the less favorable laws for foreign investments, Law 843 on tax reform is the one that directly affects the transfer of all money to foreign countries. All companies are charged 25% tax on profits under the Tax Reform Law, but when a company sends money abroad, the presumption of the Bolivian Tax Authority is that 50% of all money transmitted is profit. Under this presumption, the 25% tax is applied to half of all money transferred abroad, whether actual or only presumed profit. In practical terms it means there is a payment of 12.5% as a transfer tax.

Remittance Policies

The Bolivian Government has a lax remittance policy. Each remittance transaction from Bolivia to other countries has a $2,500 limit per transaction, but there is no limit to the number of transactions that an individual can remit. The volume of remittances sent to and from Bolivia has increased considerably in the past five years, and the central bank and banking regulator are currently analyzing whether to impose more regulations sometime in the future. Foreign investors are theoretically able to remit through a legal parallel market utilizing convertible, negotiable instruments, but, in practice, the availability of these financial instruments is limited in Bolivia. For example, the Bolivian Government mainly issues bonds in Bolivianos and the majority of corporate bonds are also issued in Bolivianos.

The official exchange rate between Bolivianos and dollars is the same as the rate on the street. The government allows account holders to maintain bank accounts in Bolivianos or dollars and make transfers freely between them. Business travelers may bring up to $10,000 in cash into the country. For amounts greater than $10,000, government permission is needed.

Bolivia is a member of the Financial Action Task Force of Latin America (GAFILAT). GAFILAT works toward developing and implementing a comprehensive global strategy to combat money laundering and terrorist financing.

3. Expropriation and Compensation

The Bolivian Constitution allows the government to expropriate property for the public good or when the property does not fulfill a “social purpose" (Article 57). In the case of land, this social purpose (FES) is understood as "sustainable land use to develop productive activities, according to its best use capacity, for the benefit of society, the collective interest and its owner." In all other cases where this article has been applied, the Bolivian Government has no official definition of collective interest and makes decisions on a case-by-case basis. Noncompliance with the social function of land, tax evasion, or the holding of large acreage is cause for reversion, at which point the land passes to "the Bolivian people" (Article 401). In cases where the expropriation of land is deemed a necessity of the state or for the public good, such as when building road or laying electricity lines, payment of just indemnification is required, and the Bolivian Government has paid for the land taken in such cases. However, in cases where there is non-compliance, or accusations of such, the Bolivian Government is not required to pay for the land and the land title reverts to the state.

The constitution also gives workers the right to reactivate and reorganize companies that are in the process of bankruptcy, insolvency, or liquidation, or those closed in an unjust manner, into employee-owned cooperatives (Article 54). The mining code of 1997 (last updated in 2007) and hydrocarbons law of 2005 both outline procedures for expropriating land to develop underlying concessions.

Between 2006 and 2014, the Bolivian Government nationalized companies that were previously privatized in the 1990s. The government nationalized all of the hydrocarbons, transport, and sales companies (private and foreign state owned firms remain in production and services), a majority of the electricity sector, the biggest telecommunications company, a tin smelting plant, and a cement plant. To take control of these companies, the government forced private entities to sell shares to the government, and often at below market prices. Some of the affected companies have cases pending with international arbitration bodies.

There are still some former state companies that are under private control, including the railroad, and some electricity transport and distribution companies. The first company not previously owned by the government was nationalized in December of 2012. Government nationalizations have not discriminated by country; some of the countries affected were the United States, France, the United Kingdom, Spain, Argentina, and Chile, amongst others. In numerous cases the Bolivian Government has nationalized private interests in order to appease social groups protesting within Bolivia.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Property and contractual rights are enforced in Bolivian courts, but the legal process is time consuming and may be subject to political influence and corruption. Although many of its provisions have been modified and supplanted by more specific legislation, Bolivia's Commercial Code (Law 14379, 1977) continues to provide general guidance for commercial activities. Still, the Commercial Code is irregularly applied. The constitution has precedence over international law and treaties (Article 410), and stipulates that the state will be directly involved in resolving conflicts between employers and employees (Article 50).

Bankruptcy

The average time to complete bankruptcy procedures to close a business in Bolivia is 20 months. The Bolivian Commercial Code includes (Article 1654) three different categories of bankruptcy:

1. No Fault Bankruptcy - when the owner of the company is not directly responsible for its inability to pay its obligations.
2. At- Fault Bankruptcy - when the owner is guilty or liable due to the lack of due diligence to avoid harm to the company.
3. Bankruptcy due to Fraud - when the owner intentionally tries to cause harm to the company.

In general, the application of laws related to commercial disputes and bankruptcy are inconsistently applied and charges of corruption are common. Foreign creditors often have little redress beyond Bolivian courts, and judgments are generally more favorable to local claimants than international ones. If a company declares bankruptcy, the company must pay employee benefits before other obligations.
Workers have broad-ranging rights to recover pay and benefits from foreign firms in bankruptcy, and criminal actions can be taken against individuals the Bolivian Government deems responsible for failure to pay in these matters.

Investment Disputes

A variety of companies of varying nationality were affected by the government's nationalization policy between 2006 and 2014. In 2014, the government passed a new investment law, and President Morales announced there would be no more nationalization. The same year, one Brazilian company was nationalized but that had been previously agreed to with the owner under the previous nationalization policy.

International Arbitration

Conflicting Bolivian law makes international arbitration challenging. Previous investment contracts between the Bolivian Government and the international companies granted the right to pursue international arbitration in all sectors and stated that international agreements, such as the International Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards, must be honored. Current Bolivian law also mandates the recognition of foreign decisions and awards and establishes procedures for the Supreme Court's execution of decisions. However, these rights conflict with the 2009 Constitution, which states (Articles 320 and 366) that international arbitration is not recognized in any case and cannot proceed under any diplomatic claim, and specifically limits foreign companies' access to international arbitration in the case of conflicts with the government. The 2009 Constitution also states that all bilateral investment treaties must be renegotiated to incorporate relevant provisions of the new constitution. The Investment Law of 2014 was enacted in late 2015. Under the 2015 Arbitration Law, international arbitration is not permitted when the dispute is against the government or a state-owned company.

ICSID Convention and New York Convention

In November 2007, Bolivia became the first country ever to withdraw from ICSID. In August 2010, the Bolivian Minister of Legal Defense of the State said that the Bolivian Government would not accept ICSID rulings in the cases brought against them by the Chilean company Quiborax and Italian company Euro Telcom. However, the Bolivian Government agreed to pay $100 million to Euro Telecom for its nationalization; this agreement was ratified by a Supreme Decree 692 on November 3, 2010. Additionally, in 2014, a British company that owned the biggest electric generation plant in Bolivia (Guaracachi) won an arbitration case against Bolivia for $41 million. In 2014, an Indian company won a $22.5 million international arbitration award in a dispute over the development of an iron ore project. The Bolivian Government has appealed that award.

In another case, a Canadian mining company with significant U.S. interests failed to complete an investment required by its contract with the state-owned mining company. The foreign company asserts it could not complete the project because the state mining company did not deliver the required property rights. The foreign company entered into national arbitration (their contract does not allow for international arbitration) and in January 2011, the parties announced a settlement of $750,000, which the company says will be used to pay taxes, employee benefits, and pending debts -- essentially leaving them without compensation for the $5 million investment they had made. They also retained responsibility for future liabilities.

Duration of Dispute Resolution – Local Courts

Since companies usually choose to resolve disputes with the government before going to formal international arbitration, there is no data on the length of a complete dispute resolution in international courts. One case that did attempt to go to international arbitration took seven years before reaching agreement and receiving government payment outside of the arbitration system. Other cases have been resolved outside of arbitration in one to two years. Under the 2015 Arbitration Law, domestic disputes are to be resolved in 270 days and could be extended for 60 additional days in some circumstances.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Bolivia is a member of the World Trade Organization and has not registered any objections to the Trade Related Investment Measures under WTO agreements.

Investment Incentives

Article 14 of the 2014 investment law requires technology transfer from foreign companies operating in Bolivia to Bolivian workers and institutions. The law also specifies that Bolivians should work in operational, administrative, and executive offices of foreign companies. Also, companies investing in Bolivia should donate equipment and machinery to universities and technical schools in the same area as the investment, and conduct research activities that will find solutions that contribute to public welfare.

Article 21 of the investment law stipulates that the government can incentivize investment in certain sectors that contribute to the economic and social development of the country.

Law 767 aims to promote investments in the exploration and exploitation of hydrocarbons. However, many companies consider this regulation as skewed to production and insufficient to incentivize new exploration.

Research and Development

There are very few government financed research and development programs. Any company can participate in research if it receives the appropriate permission from the government. However, the de facto practice is to reject U.S. companies and NGOs from research and development projects.

Performance Requirements

Bolivian labor law requires businesses to limit foreign employees to 15% of their total work force and requires that such foreign hires be part of the technical staff. These workers require a work visa that can be obtained in any Bolivian consulate, and in the case that they work for a Bolivian company, both the company and the workers should also contribute to the Bolivian Pension System (Pension Law Article 104.1)

Supreme Decree 27328 regulates national and local level government procurement, which give priority to national sourcing. If an item required is not produced in Bolivia, buying decisions are made based on price. Supreme Decree 28271 (Article 10), establishes the following preference margins for sourcing with Bolivian products:

Except for national tenders, 10% preference margin for Bolivian products regardless of the origin of materials.

For national public tenders, if the cost of Bolivian materials represents more than 50% of the total cost of the product, the producers receive a 10% preference margin over other sellers. In national and international public tenders, if Bolivian inputs and labor represent more than the 50% of the total cost of the product, the seller receives a 25% preference margin over other sellers. If the Bolivian inputs and labor represent between 30% and 50% of the total cost of the product, the seller receives a 15% preference margin over other sellers.

Under the Bolivian Criminal Code (Article 226), it is a crime to raise or lower the price of a product based on false information, interests, or actions. For those caught doing so, punishment is six months to three years in prison. It is also a crime to hoard or conceal products in order to raise prices. The Bolivian Government has aggressively applied these provisions in a number of cases, applying regulations that allow them to request accounting records and audit companies' financial actions looking for evidence of speculation.

Data Storage

Bolivian legislation does not specify requirements for foreign information technology providers to turn over source code. Also, the Bolivian Government does not follow forced localization policies. Information technology providers are only required to provide access to surveillance with a court order.

6. Protection of Property Rights

Real Property

The Bolivian Constitution protects the right to private property as long as it serves a social function and is not against the collective/public interest (Articles 56 and 57). The constitution specifically allows expropriation in cases of public necessity, or where property is not serving an economic/social function. Revisions that were made to the Agrarian Law (#1715, 1996) in November 2006 reflect this concept. The law was modified (#3545) to stipulate that property deemed unproductive in bi-annual reviews by the National Institute of Agrarian Reform (Instituto Nacional de Reforma Agraria, or INRA) will revert to the state; the modification also placed limits on landowners' legal recourse in such cases. In effect, it has limited banking interest in long term agricultural investments due to uncertainty over possible future confiscation of the landowners' property. In January 2013, Congress passed a law to provide amnesty to landowners with plots being reverted to the state due to unauthorized forest clearings. The Bolivian private agricultural sector viewed this as a government attempt to improve the conditions for the agricultural sector. At a national agriculture summit in April 2015, the Bolivian Government agreed to reduce the frequency of INRA land inspections to every five years. However, the enacting law has not yet been passed.

The constitution also grants formal, collective land titles to indigenous communities, in order to restore their former territories (Article 394.3), stating that public land will be granted to indigenous farmers, migrant indigenous communities, Afro-Bolivians, and small farmer communities that do not possess or who have insufficient land (Article 395). Under law 3545, passed in 2006, the government will not grant public lands to non-indigenous people or agriculture companies. The Mother Earth Integral Development Law to Live Well (Mother Earth Law, or Law #300) passed in October 2012 specifies that the state controls access to natural resources, particularly when foreign use is involved. In action, the law limits access to land, forest, water and other natural resources by foreigners in Bolivia.

The Office of Property Registry oversees the acquisition and disposition of land, real estate, and mortgages. Mortgages are easy to obtain. It takes at most 60 days to obtain a standard loan. However, Bolivia lacks an adequate system of title verification and challenges to land titles are common. Competing claims to land titles and the absence of a reliable dispute resolution process create risk and uncertainty in real property acquisition. Nevertheless, illegal occupation of rural private property is decreasing since the government passed law 477 to combat land seizures. While some properties are still occupied or disputed, some illegal occupants have already been tried and jailed.

Intellectual Property Rights

SENAPI reviews patent registrations for form and substance and publishes notices of proposed registrations in the Official Gazette. If there are no objections within 30 working days, the organization grants patents for a period of 20 years. The registration of trademarks parallels that of patents. Once obtained, a trademark is valid for a 10-year renewable period. It can be cancelled if not used within three years of the date of grant.

The Bolivian Intellectual Property Body SENAPI (Servicio Nacional de Propiedad Intelectual), has recently published a complete set of in force regulations related to IPR. This list is available on SENAPI's webpage at: http://www.senapi.gob.bo/MarcoLegal.asp?lang=ES.

Bolivia does not have an area of civil law specifically related to industrial property, but has only a century old industrial privileges law currently in force. However, Bolivia belongs to the World Intellectual Property Organization (WIPO) and is a signatory to the Nice Agreement and the Paris, Bern, and Geneva Conventions on intellectual property. As a member of the Andean Community (CAN) it has pledged to abide by the intellectual property decisions of the CAN. In June 2015, SENAPI presented a bill to modernize industrial property legislation, but it has not yet been approved by the legislature.

CAN Decision 486 is legally binding in Bolivia and deals with industrial property (trade secrets). The most relevant sections of Decision 486 are:

I. Each Member Country shall accord the nationals of other members of the Andean Community, the World Trade Organization, and the Paris Convention for the Protection of Industrial Property, treatment no less favorable than it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in articles 3 and 5 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and in article 2 of the Paris Convention for the Protection of Industrial Property. Member Countries may also accord such treatment to the nationals of a third country under the terms of their respective domestic legislation.

IV. The protection granted by this decision shall accrue to all literary, artistic and scientific works that may be reproduced or disclosed by any known or future means.

Bolivia's copyright law (Law 1322/*, 1992) predates the international standards established under the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS). The Bolivian law falls short of obligations under the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty.

Existing Bolivian copyright law protects literary, artistic and scientific works for the lifetime of the author plus 50 years. Bolivian copyright protection includes the exclusive right to copy or reproduce works; to revise, adapt, or prepare derivative works; to distribute copies of works; and to publicly share works. Although the law does not explicitly grant the exclusive right to translate works, the law does prevent unauthorized adaptation, transformation, modification, and editing. The law also provides protection for software and databases.

The copyright law protects the rights of Bolivian authors, foreign authors domiciled in Bolivia, and foreign authors published for the first time in Bolivia. Foreigners not domiciled in Bolivia are protected to the extent provided in international conventions and treaties to which Bolivia is a party.

The film and video law (Law 1302, 1991) also contains elements of IPR protection but its implementation has yet to yield gains for IPR protection. The law established a National Movie Council (CONACINE) to oversee the domestic film industry and required that all locally produced films and videos shown or distributed in Bolivia be registered with that organization.

There is no data on the extent of internet piracy, and no known downloading websites are hosted in Bolivia. The Bolivian Government promotes open source software use throughout the government and in schools, but still buys some specialized software such as Microsoft Word and ArcGIS.

The Mother Earth Law of 2012 recognizes the intellectual property rights (IPR) of indigenous peoples, the Afro-Bolivian community, and Bolivian migrant groups related to ancestral knowledge and biodiversity. The medicinal properties of plants and animals found in the Bolivian Amazon and other regions within Bolivia are included in these rights. The Mother Earth Law states that the Bolivian Government will take actions to avoid the commoditization of genetic resources, bio-piracy, and the participation of monopolies in the production of seeds. Nevertheless, it does not specify which actions the government will take. This law targets companies that bioengineer seeds and that would normally rely on IPR to protect their products.

The Bolivian Constitution provides for the protection of all domestic genetic resources, locally available microorganisms, as well as the knowledge associated with their use and exploitation. The Bolivian Government plans to protect these resources through a registration system managed by the Genetic Resources Conservation National Center, a sub-organization of the Agriculture and Forestry Innovation Center. Article 381 of the constitution says that Bolivia will establish procedures for the protection of all microorganisms and genetic resources even if they are not registered. The Productive Revolution Law (2011) designates the National Agriculture and Forests Institute (INIAF) to manage genetic resources, but as of April 2016 the government has not written the implementing regulations.

Indigenous intellectual property rights are highly protected by the Bolivian legal system. Article 100 of the Constitution stipulates that the Bolivian Government will protect the learning and knowledge of indigenous people through intellectual property registration. The Constitution acknowledges the right of indigenous nations and people to “the collective intellectual property of their intelligence, sciences, and knowledge, as well as the right to indigenous intellectual property's regained and appreciative value, use, promotion, and development” (Article 30). Article 304 further specifies that indigenous people can safeguard, through registration, collective intellectual property related to knowledge of genetic resources, traditional medicine, and germ plasma. There are not yet any regulations governing the implementation of these constitutional provisions.

The 2009 Constitution (Article 41) states that the Bolivian state will guarantee access to prescription drugs and that property and commercial rights cannot restrict this right. Although this provision has not yet been written into law, it is likely to affect intellectual property rights. At present, registration of prescription drugs is regulated by Law (#1737), which establishes control over the production, importation, commercialization, quality control, selection, purchase, distribution, prescription, and sale of medicines through an obligatory sanitary registry, which is valid for five years. After five years, renewed registration of a drug can be requested from the Ministry of Health through DINAMED (the Dirección de Medicamentos y Tecnología en Salud). The registry can be canceled or suspended if the requirements and technical standards mentioned above are not fulfilled.

Resources for Rights Holders

For questions regarding Intellectual Property issues, contact:

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7. Transparency of the Regulatory System

Formal bureaucratic procedures are lengthy, difficult to manage and navigate, and considered by some to be debilitating. Many firms complain that a lack of administrative infrastructure, corruption, and political motives impede their ability to perform. The one exception is when registering a new company in Bolivia. Once a company submits all documents required to the Bolivian entity charged with registration of new enterprises (FUNDEMPRESA) the process takes between 2-4 working days.

There is no established public comment process allowing social, political, and economic interests to provide advice and comment on new laws and decrees. However, the government generally -- but not always -- discusses proposed law with the relevant sector.

The lack of laws to implement the 2009 Constitution creates legal discrepancies between constitutional guarantees and the dated policies currently enforced and an uncertain investment climate.

The tax code has not changed, and will probably not change in the near future. However, the government is also discussing a tax increase on profits, focusing on financial institutions.

Environmental regulations can slow projects due to the constitutional requirement of "prior consultation" for any projects that could affect local communities. This has affected projects related to the exploitation of natural recourses, both renewable and nonrenewable, as well as public works projects. Issuance of environmental licenses has been slow and subject to political influence corruption.

In 2010, the new pension fund was enacted; it increased the contributions that companies have to pay from 1.71% of payroll to 4.71%.

Most accounting regulations follow international principles, but they do not always fully conform to international standards. Only the largest private companies and a few government institutions, such as the Central Bank and the Banking Supervision Authority, have transparent and consistent accounting systems.

8. Efficient Capital Markets and Portfolio Investment

Established Bolivian firms may issue short or medium-term debt in local capital markets, which act primarily as secondary markets for fixed-return securities. Bolivian capital markets have sought to expand their handling of local corporate bond issues and equity instruments. Over the last few years, several Bolivian companies and some foreign firms have been able to raise funds through local capital markets. However, the stock exchange is small and is highly concentrated in bonds and debt instruments (more than 95% of transactions). The amount of total transactions per year generally hovers at around one-third of the GDP.

Since 2008, the financial markets have experienced high liquidity, which has led to historically low interest rates. This is expected to continue for the near future, despite the strains in the international financial markets. The Bolivian financial system is not well integrated with the international system and there is only one foreign bank among the top ten banks of Bolivia.

In October 2012, Bolivia returned to global credit markets for the first time in nearly a century, selling $500 million worth of 10-year bonds at the New York stock exchange. The sovereign bonds were offered with an interest rate of 4.875% and demand for the bonds well surpassed the offer, reaching $1.5 billion. U.S. financial companies Bank of America, Merrill Lynch, and Goldman Sachs were the lead managers of the deal. In 2013, Bolivia sold another $500 million at 5.95% for ten years. HSBC, Bank of America, and Merrill Lynch were the lead managers of the deal. According to the Ministry of Economy, the resources gained from the sales will be used to finance infrastructure projects. It is expected that in 2016 the Ministry of Economy will issue a third round of bonds for $1 billion.

Money and Banking System, Hostile Takeovers

The Bolivian banking system is small, composed of 13 banks, 3 private financial funds, and 34 savings and credit cooperatives. Of the total number of personal deposits made in Bolivia through December 2015 ($21.6 billion), the banking sector accounted for 80% of the total financial system. Similarly, of the total loans and credits made to private individuals ($16.8 billion) through December 2015, 78% were made by the banking sector, while private financial funds and the savings and credit cooperatives accounted for the other 22%.

Bolivian banks have developed the capacity to adjudicate credit risk and evaluate expected rates of return in line with international norms. The banking sector is stable and healthy with delinquency rates at less than 3%.

In 2013, the financial services bill became a law. This new law enacted major changes to the banking sector, including deposit rate floors and lending rate ceilings, mandatory lending allocations to certain sectors of the economy and an upgrade of banks' solvency requirements in line with the international Basel standards. The law also requires banks to spend more on improving consumer protection, as well as providing increased access to financing in rural parts of the country.

Credit is now allocated on government-established rates for productive activities, but foreign investors may find it difficult to qualify for loans from local banks due to the requirement that domestic loans be issued exclusively against domestic collateral. Since commercial credit is generally extended on a short-term basis, most foreign investors prefer to obtain credit abroad. Most Bolivian borrowers are small and medium-sized enterprises (SMEs).

In 2007, the government created a Productive Development Bank to boost the production of small, medium-sized and family-run businesses. The bank was created to provide loans to credit institutions which meet specific development conditions and goals, for example by giving out loans to farmers, small businesses, and other development focused investors. The loans are long term and have lower interest rates than private banks can offer in order to allow for growth of investments and poverty reduction.

In September 2010, the Bolivian Government bought the local private bank Banco Union as part of a plan to gain control of part of the financial market. Banco Union is medium-sized, with a share of 9% of total national credits and 11% of the total deposits; its principal activity is managing public sector accounts. Bolivian Government ownership of Banco Union was illegal until December 2012, when the government enacted the State Bank Law, allowing for state participation in the banking sector.

There is no strong evidence of "cross-shareholding" and "stable-shareholding" arrangements used by private firms to restrict foreign investment, and the 2009 Constitution forbids monopolies and supports antitrust measures. In addition, there is no evidence of hostile takeovers (other than government nationalizations).

The Financial sector is regulated by ASFI (Supervising Authority of Financial Institutions), a decentralized institution that is under the Ministry of Economy. The Central Bank of Bolivia (BCB) oversees all financial institutions, provides liquidity when necessary, and acts as lender of last resort. The BCB is the only monetary authority and is in charge of managing the payment system, international reserves, and the exchange rate.

9. Competition From State-Owned Enterprises

The Bolivian Government is actively expanding the state's role in the economy. Actions include re-nationalization in key sectors, establishment of state-owned enterprises (SOEs), and passage of laws and regulations that stipulate state ownership of natural resources.

The Bolivian Government has re-nationalized, by obtaining a controlling stake of a number of private entities that were formerly public enterprises prior to the 1990s. These include Bolivia's largest tin mine, a smelting plant, the largest telecommunications company, the gas production and transport industry, hydroelectric and thermoelectric plants, and a cement company. The Bolivian Government has also set up companies in sectors it considers vital to the national interest and social well-being, and has stated that it plans to do so in every sector it considers strategic or where there is either a monopoly or oligopoly. Many of these public companies are less efficient than their private counterparts.

At present, the Bolivian Government owns and operates more than fifty businesses including a sugar factory, an airline, a supermarket chain, a packaging plant, a cement plant, paper and cardboard factories, and milk and Brazil nut processing factories. In 2005, income from state-owned business in Bolivia represented only a fraction of a percent of Gross Domestic Product (GDP). As of 2015, public sector contribution to GDP (including SOEs, investments, and consumption of goods and services) has risen to nearly 42% of GDP.

Each state-owned company is run by a government-appointed Board of Directors. Each director represents a ministry, and some are informally obligated to consult with government officials for decision-making purposes. The general manager is usually appointed by Supreme Resolution. Private sector entities complain that public companies generate subsidized, unfair competition with the existing private sector, though there is currently no law specifying preferential treatment for state-owned businesses. However, the largest SOEs are able to acquire credit from the Central Bank at very low interest rates and convenient terms. Some private companies complain that it is impossible for them to compete with this financial subsidy. Moreover, SOEs appear to benefit from easier access to licenses, supplies, materials and land; however, there is no law specifically providing SOEs with preferential treatment in this regard.

Budget constraints have not been a problem for SOEs. Government registered budget surpluses from 2006 until 2013 but recently experienced budget deficits. SOE budgets have been largely unaffected. According to the 2009 Constitution, all SOEs are required to publish an annual report and are subject to financial audits. Additionally, SOEs are required to present an annual testimony in front of civil society and social movements, a practice known as social control.

OECD Guidelines on Corporate Governance of SOEs

Not Applicable in Bolivia.

Sovereign Wealth Funds

All legally established companies are required to present auditing and financial statements to the tax office annually. This requirement is for private and public companies. Financial institutions must present financial statements quarterly.

Although Bolivia is a commodity exporter, it does not have any kind of sovereign wealth fund for any commodity.

10. Responsible Business Conduct

Bolivia has laws that regulate aspects related to corporate social responsibility (CSR) practices, but they are rarely enforced by the Bolivian authorities. Article 8 of the Bolivian Constitution promotes a nation of "common well-being, responsibility, social justice, distribution and redistribution of the products and social assets, to live well," but even the government does not fulfill the regulations focused on accomplishing these objectives.

Both producers and consumers in Bolivia are generally aware of CSR, but consumer decisions are ultimately based on price and quality. Because the Bolivian Constitution stipulates that economic activity cannot damage the collective good (Article 47), CSR activities are generally looked upon favorably by the Bolivian Government. However, during pre-electoral periods, government officials occasionally accuse companies of using CSR practices as political tools against the government and suggest that the government pioneer tighter CSR regulations.

Though Bolivia is not part of the OECD, it has participated in several Latin American Corporate Governance Roundtables since 2000. Neither the Bolivian Government nor its organizations use the OECD Guidelines for CSR. Instead, Bolivian companies and organizations are focused on trying to accomplish the UN's Millennium Development Goals, and they use the Global Reporting Initiative (GRI) methodology in order to show economic, social and environmental results. While the Bolivian Government, private companies, and non-profits are focused on the UN's Millennium Development Goals, only a few private companies and NGOs focus on following the UN standard ISO 26000 guidelines and methodologies. Another methodology widely accepted in Bolivia is the one developed by the ETHOS Institute, which provides measurable indicators accepted by PLARSE (Programa Latinoamericano de Responsabilidad Social Corporativa, the Latin American Program for CSR).

The 1942 General Labor Law is the basis for employment rights in Bolivia, but this law has been modified more than 2,000 times via 60 supreme decrees since 1942. As a result of these modifications, the General Labor Law has become a complex web of regulations that is difficult to enforce. An example of the lack of enforcement is the Comprehensive System for Protection of the Disabled (Law 25689) which stipulates that at least 4% of the total work force in public institutions, state owned enterprises, and private companies should be disabled. Neither the public nor private sectors are close to fulfilling this requirement, and most buildings lack even basic access modifications to allow for disabled workers.

In support of consumer protection rights, the Vice Ministry of Defense of User and Consumer Rights was created in 2009 (Supreme Decree 29894) under the supervision of the Ministry of Justice. This same year the Consumer Protection Law (Supreme Decree 0065) was enacted, which gave the newly created Vice Ministry the authority to request information, verify and follow up on consumer complaints. Though the Vice-Ministry has yet to report on its activities, an example of its work can be seen in local airports and bus stations, where customers can make a complaint on service or other matters to a representative of the Vice-Ministry and receive compensation from the transport company if deemed appropriate.

The Mother Earth Law (Law 071) approved in October,2012 promotes CSR elements as part of its principles (Article 2), such as collective good, harmony, respect and defense of rights. The Ministry of Environment and Water is in charge of overseeing the implementation of this law, but the implementing regulations and new institutions needed to enforce this law are still incomplete.

Even though Bolivia promotes the development of CSR practices in its laws, the government gives no advantage to businesses that implement these practices. Instead, businesses implement CSRs in order to gain the public support necessary to pass the prior consultation requirements or strengthen their support when mounting a legal defense against claims that they are not using land to fulfill a socially valuable purpose, as defined in the Community Land Reform laws (# 1775 and #3545).

In April, 2009 the Bolivian Government reorganized the supervisory agencies of the government (formerly Superintendencias) to include social groups, thus creating the "Authorities of Supervision and Social Control" (Supreme Decree 0071). This new authority now controls and supervises the following sectors: telecommunications and transportation, water and sanitation, forests and land, pensions, electricity, and enterprises. Each sector has an Authority of Supervision and Social Control assigned to its oversight, and each Authority has the right to audit the activities in the aforementioned sectors and the right to request the public disclosure of information, ranging from financial disclosures to investigation of management decisions.

A leading trade think tank, the Instituto Boliviano de Comercio Exterior (IBCE) developed a certification called the "Triple Sello" (triple stamp) that will certify that a business that receives the stamp is free from child labor, discriminatory practices, and forced labor. The "Triple Sello" certification is currently coordinated with the IBNORCA (Bolivian Institute of Quality Normalization) and in 2014 the first Bolivian company, Guabira, was awarded the triple seal.

11. Political Violence

Bolivia is prone to social unrest that includes violence. Given the country's reliance on a few key thoroughfares, conflict often disrupts transportation and distribution networks. The majority of civil disturbances are related to domestic issues, usually workers pressuring the government for concessions by marching or closing major transportation arteries. Over the past year, there has been no political violence that targeted foreigners. While protests and blockades are frequent, they only periodically affect commerce. Less than a half-dozen conflicts in La Paz directly affected distribution of essential services or travel in and out of the city for periods greater than 24 hours during 2014. However, numerous others caused businesses to close for short periods or impeded business operations. To date, the situation remains as such.

12. Corruption

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official in international business, for example to secure a contract, should bring this to the attention of appropriate U.S. agencies, as noted below.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment or anything of value to foreign officials to obtain or retain business. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at: http://www.justice.gov/criminal/fraud/fcpa/guidance/. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at: http://www.justice.gov/criminal/fraud/fcpa/.

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (negotiated under the auspices of the OECD), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS

Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Bribery is a criminal offence in Bolivia and Bolivia is party to the UN Anticorruption Convention and the OAS Inter-American Convention against Corruption.

OECD Antibribery Convention: The Antibribery Convention entered into force in February 1999. As of January 2015, there are 41 parties to the Convention, including the United States (see http://www.oecd.org/corruption/oecdantibriberyconvention.htm). The Antibribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions. Bolivia is not a signatory of the OECD Convention on Combating Bribery of Foreign Public Officials.

UN Convention: The UN Convention entered into force on December 14, 2005, and there are 174 parties to it as of March 2015 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Bolivia signed the UN Anticorruption Convention in December 2003 and ratified it in December 2005.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. As of January 2015, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html) and the follow-up mechanism created in 2001 (MESICIC) has 31 members (see http://www.oas.org/juridico/english/mesicic_intro_en.htm). MESICIC monitoring reports can be found at: http://www.oas.org/juridico/english/mesicic_intro_en.htm. The OAS Convention, among other things, contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. Bolivia is part of the Organization of American States' Inter-American Convention against Corruption and the Follow-Up Mechanism for its Implementation.

There is an Ombudsman appointed by Congress and charged with protecting human rights and guarding against government abuse. In his 2014 annual report, the Ombudsman cited the judicial system, the attorney general's office, and the police as the most persistent violators of human rights due to widespread inefficiencies and corruption. Public opinion reflected the Ombudsman's statements. The 2015 Transparency International corruption perception index found that Bolivian citizens believe the most corrupt institutions in Bolivia are the judiciary, political parties, parliament and legislature, and the police.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. and Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at www.trade.gov/cs.

The United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel, and reported through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp. Potential violations of the FCPA can be reported to the Department of Justice via email to FCPA.Fraud@usdoj.gov.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa and general information is contained in Chapter 9 of the publication *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, at http://www.justice.gov/criminal/fraud/fcpa/guidance/. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the General Counsel, U.S. Department of Commerce, website, at http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives. More general information on the FCPA is available at the websites listed below.

Corruption in Bolivia

Bolivian law stipulates criminal penalties for corruption by officials, but the government does not implement the law effectively, and officials often engage in corrupt practices with impunity. In 2015, there were numerous reports of government corruption, not all of which were investigated.

According to the World Bank's 2011 worldwide governance indicators, government corruption and lack of transparency remained serious problems. According to Transparency International's 2013 Global Corruption Barometer, 86 percent of citizens believed the police were corrupt or extremely corrupt, and 76 percent labeled the country's judiciary as corrupt or extremely corrupt.

Police corruption remains a significant problem. In March 2014, U.S. authorities convicted police officer Fabricio Ormachea Aliaga in Miami on two counts of extortion. Ormachea, an investigator in the police anticorruption unit, allegedly promised to suspend a pending investigation involving a Bolivian living in Miami in exchange for approximately 205,000 bolivianos ($30,000). There is also widespread corruption in the country's judiciary.

The Ministry of Anticorruption and Transparency and the Prosecutor's Office are both responsible for combating corruption, but most corrupt officials operate with impunity. In September 2014, former Transparency Minister Nardy Suxo reported that the Ministry was investigating 388 complaints against public servants. The Ministry has obtained 97 convictions since 2006. Cases involving allegations of corruption against the president and vice president require congressional approval before prosecutors may initiate legal proceedings, and cases against pro-government public officials are rarely allowed to proceed. Despite the fact that the courts found that the awarding of immunity for corruption charges is unconstitutional, their rulings against immunity were ignored by the government.

Resources to Report Corruption

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, translations of the statute into numerous languages, documents from FCPA related prosecutions and resolutions, and press releases are available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa and http://www.justice.gov/criminal/fraud/fcpa/guidance/

- The U.S. Securities and Exchange Commission FCPA Unit also maintain an FCPA website, at: https://www.sec.gov/spotlight/fcpa.shtml. The website, which is updated regularly, provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.

- General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website:http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives

- The Trade Compliance Center hosts a website with anti-bribery resources, at http://tcc.export.gov/Bribery. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at:

http://www.transparency.org/research/cpi/overview. TI also publishes an annual *Global Corruption Report*. See http://www.transparency.org/research/gcr.

- The World Bank Institute's Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996-2013. See http://info.worldbank.org/governance/wgi/index.aspx#home. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS. See also the World Bank Group *Doing Business* reports, a series of annual reports measuring regulations affecting business activity, available at: http://www.doingbusiness.org/

- The World Economic Forum publishes every two years the *Global Enabling Trade Report*, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See http://www.weforum.org/reports/global-enabling-trade-report-2014.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which typically assesses anti-corruption and good governance mechanisms in diverse countries. For more information on the report, see https://www.globalintegrity.org/global-report/what-is-gi-report/.

Contact at government agency responsible for combating corruption:

13. Bilateral Investment Agreements

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Ministry of Institutional Transparency and the Fight against Corruption
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591-2-2115773, 591-800-10-9988

There is no email address available, but the Ministry does have a webpage, Facebook page, and Twitter account. Reports of corruption can also be made to Transparency International, but the organization does not have a physical presence within Bolivia.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

There are nine free trade zones in Bolivia, more than half of which are in cities along the Bolivian borders. The free trade zones were created to facilitate commercial and industrial operations for national and international companies. Any transaction that takes place inside a free trade zone is exempt from tariffs and national taxes. Private companies with 40-year contracts administer the free trade zones, which are located in the cites of El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Cobija, Guayaramerin, Yacuiba, and Desaguadero. The National Council on Free Trade Zones (CONZOF) oversees all industrial and commercial free trade zones and authorizes operations.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	$34,044	2014	$33,000	www.worldbank.org/en/country www.ine.gob.bo
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2014	$140	2014	(D)	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm www.bcb.gov.bo
Host country's FDI in the United States ($M USD, stock positions)	2014	$D	2014	$D	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2014	34%	2014	34%	N/A

(D) indicates that the data in the cell have been suppressed to avoid disclosure of data of individual companies

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	11,177	100%	Total Outward	NA	100%
Spain	3870	35%	NA	NA	NA
Brazil	1035	9%	NA	NA	NA
Sweden	1006	9%	NA	NA	NA
United Kingdom	967	9%	NA	NA	NA
United States	914	8%	NA	NA	NA
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	2225	100%	All Countries	55	100%	All Countries	2170	100%
United States	799	36%	United States	51	92%	United States	748	34%
France	288	13%	Peru	8	8%	France	288	13%
Korea	163	7%				Korea	163	8%
Germany	159	7%				Germany	159	7%
UK	120	5%				UK	120	6%

Table 5: Key Macroeconomic data, U.S. FDI in Bolivia

	Bolivian Statistical source* National Bureau of Statistics		USG or international statistical source International Monetary Fund		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Bolivian Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2014	$ 34,044	2014	$33,000	http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx
Foreign Direct Investment	Bolivian Statistical source Central Bank of Bolivia		USG or international statistical source BEA		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in Bolivia (*Millions U.S. Dollars, stock positions)*	2012	$897	2014	$578	(BEA) click selections to reach.
Bolivia's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2014	$0	2014	(D)*	(BEA) click selections to reach
Total inbound stock of FDI as % Bolivian GDP	34%	2014	34%	2014	International Monetary Fund

Sources: National Bureau of Statistics and Central Bank of Bolivia
**(D) indicates that the data in the cell have been suppressed to avoid disclosure of data of individual companies*

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system with influences from Roman, Spanish, canon (religious), French, and indigenous law

International organization participation:

CAN, CD, CELAC, FAO, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, LAES, LAIA, Mercosur (associate), MIGA, MINUSTAH, MONUSCO, NAM, OAS, OPANAL, OPCW, PCA, UN, UNASUR, UNCTAD, UNESCO, UNFICYP, UNIDO, Union Latina, UNISFA, UNMIL, UNMISS, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

There are no restrictions on foreign currency exchange.

Treaty and non-treaty withholding tax rates

Jurisdiction	Status	Dividends	Interest	Royalties
Defaults		12.5%	12.5%	12.5%
Argentina	Effective January 1, 1980	12.5% (1)	12.5% (1)	12.5% (1)
Colombia	Effective January 1, 1980	12.5% (1)	12.5% (1)	12.5% (1)
Ecuador	Effective January 1, 1980	12.5% (1)	12.5% (1)	12.5% (1)
France	Effective January 1, 1997	12.5% (2)	0% when paid to the government 12.5% (2)	12.5% (2)
Germany	Effective January 1, 1991	12.5% (2)	0% when paid to the government or the central bank 12.5% (2)	12.5% (2)
Peru	Effective January 1, 1980	12.5% (1)	12.5% (1)	12.5% (1)
Spain	Effective January 1, 1999	10% where the payee is a company (excluding a partnership) holding directly at least 25% of the paying company's capital 12.5% (2)	0% when paid to or by the government, or on financing for at least five years approved by both governments, or on sales on credit of equipment 12.5% (2)	0% for literary, artistic, dramatic or musical copyright royalties (excluding broadcasting royalties) 12.5% (2)
Sweden	Effective January 1, 1996	0% where the payee is a company	0% when paid to or by the government or the central bank, or on a loan or credit	12.5% (2)

		(excluding a partnership) holding at least 25% of the paying company's capital 12.5% (2)	financed or guaranteed by a financial institution to promote exports and development, or on sales on credit of equipment 12.5% (2)	
United Kingdom	Effective January 1, 1996	12.5% (2)	0% when paid to the government, or on a loan or credit financed, guaranteed or insured by a specified institution 12.5% (2)	12.5% (2)

Notes

1. The domestic rate applies.

2. The treaty specifies a different rate but the default rate is lower and would therefore apply.

On September 26, 2012Bolivia and Vietnam have agreed to accelerate negotiations towards the conclusion of a DTA.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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