

Our View On-The-Ground

REGIONAL MARKET VIEWS

Bolivia's Runoff:

A Shift in Power, A Test for Policy

The first round of Bolivia's presidential elections produced an unexpected result, changing the political landscape. Initially contested by Samuel Doria Medina, Jorge Quiroga, and Movimiento al Socialismo (MAS) candidate Andronico Rodríguez, the race now moves to a runoff on October 19 between centrist frontrunner Rodrigo Paz and right-wing candidate Jorge Quiroga. This represents a major shift after more than twenty years of left-leaning governments (MAS).

Markets have responded positively to the change in direction. Although Quiroga holds a slight lead in recent polls, many voters remain undecided or plan to cast blank ballots, leaving room for Paz to gain ground. Support from Doria Medina's base is beginning to consolidate behind Paz, and regions that traditionally backed Evo Morales are now leaning toward Paz's ticket, especially due to the popularity of his running mate, Edmand Lara. Lara's appeal was a key factor in Paz's strong first-round performance.

Morales's vocal opposition to Quiroga and implicit endorsement of Lara, has helped Paz attract voters who previously aligned with MAS. Many now see Paz as a centrist figure who could carry forward parts of the MAS legacy, with backing from former allies of Morales.

Whoever wins and takes office on November 8 will face a tough economic landscape. The challenges ahead are significant, and the next administration will need to act fast to restore stability and confidence.

| Economic Challenges for the Next Government

- Bolivia enters this transition with deep fiscal imbalances, largely driven by years of high public spending, especially on fuel subsidies and public sector wages.
- Economic policy has long prioritized distribution over production, with little investment in natural resource development or private sector incentives.
- The subsidy-heavy model has discouraged private investment and weakened the efficiency of the state.
- To cover persistent deficits, the central bank has relied heavily on money printing, which has drained foreign currency reserves and pushed inflation higher.
- Price controls and import restrictions have distorted markets and worsened shortages.

- According to INE, GDP fell –2.4% in Q2 2025, marking four consecutive quarters of decline and confirming Bolivia’s entry into recession.
- Public spending remains elevated at around 33% of GDP, while revenues have dropped sharply, especially as hydrocarbon income continues to fall.

| Candidate Proposals

Bolivia urgently requires a dollar injection to restore liquidity and support imports. If a right-leaning candidate wins the presidency, there may be greater openness to seeking international financing, including potential agreements with institutions like the IMF. However, such loans typically involve lengthy negotiations and disbursement timelines, often up to a year.

In the short term, restoring public trust in the banking system is critical. Encouraging citizens to deposit their dollar savings, currently held outside the formal system, requires banks to return dollar-denominated savings in dollars, not in bolivianos. For this to happen, banks must receive dollar liquidity from the Central Bank, particularly for remittance-related obligations. Additionally, the new government must incentivize exports and lift existing restrictions to boost dollar inflows.

Economy

- **Quiroga:** Focuses on cutting government spending (travel, perks, aircraft) and securing international loans to bring in dollars.
- **Paz:** Promotes “capitalism for all” by formalizing informal businesses and improving investment conditions, using approved loans rather than seeking new ones.
- **Shared goal:** Stabilize the exchange rate and resolve fuel shortages.

Health & Education

- **Quiroga:** Proposes decentralizing health and education, transferring funds and responsibilities to regional governments; aims to reduce bureaucracy and improve service quality. Also supports nationwide satellite-based Wi-Fi.
- **Paz:** Advocates a 50/50 budget split between central and regional governments, plus a medical professional ranking or a medical career law, and uncapped salaries.
- **Shared goal:** Repeal the Avelino Siñani law and introduce a unified, decentralized medical record system to eliminate long wait times.

Hydrocarbons

- **Quiroga:** Calls for a new hydrocarbons law to attract investment and allow fuel imports; supports lithium battery production with Bolivian labor.
- **Paz:** Proposes a 50/50 shared-risk law focused on transparency and modernization; supports lithium battery and basic chemical production.

Mining & Agriculture

- **Quiroga:** Suggests tax reform, flat 10% for VAT, RC-IVA, and profit tax; proposes an environmental law with carbon credits and eco brigades.
- **Paz:** Supports partnerships with cooperatives, reinstating concessions, and eliminating the 12.5% complementary tax.

Legal & Citizen Security

- **Quiroga:** Backs a merit-based judicial system, digital justice, cumulative sentencing, and tougher anti-narcotics measures.
- **Paz:** Also supports merit-based justice; proposes freeing political prisoners and repealing the police promotion law.

Regardless of the outcome on October 19, Bolivia's incoming leader will need to build bridges. No single party holds a majority in Congress, with Paz's PDC leading in both chambers, followed by Quiroga's alliance and Doria Medina's group. To move forward, the next president will have to work across factions, form coalitions, and secure support for the reforms needed to address inflation, rebuild reserves, and bring public finances back to sustainable levels. Governability will depend not just on leadership, but on the ability to unite.

This opinion article was written on October 16, 2025, by the team of analysts at OTG Asset Management.

Disclosure: Foreign Investment Risk. Foreign investment risks include foreign security risk, foreign currency risk, and foreign sovereign risk. The prices of foreign securities may be more volatile than the prices of securities of U.S. issuers. In addition, changes in exchange rates and interest rates may adversely affect the values of the Fund's foreign investments.

Latin America Risk. The Fund's performance is expected to be closely tied to social, political, and economic conditions within this region and may be more volatile than the performance of funds that invest in more developed countries and/or in more than one region.

Currency Risk. Currency conversion costs and currency fluctuations could erase investment gains or add to investment losses. Currency exchange rates can be volatile.