

## **Determinants of industrial development and policies of productive development in Bolivia**

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### **Abstract**

The manufacturing industry has become one of the sectors with the greatest impact on Bolivia's economic growth. However, there are limitations for a greater expansion and diversification of the sector which are the risks associated to economic returns of private investment and formal entrepreneurship, given its low appropriability due to market failures and public policies. In turn, according to the historical decomposition of this sector's growth, total factor productivity (TFP) was the most important driver. Through an ARDL cointegration, it can be inferred that the determinants of higher TFP were macroeconomic stability, greater human capital and financial deepening. Likewise, the beginning of the industrialization process that has been implemented in the country, and horizontal and vertical policies allowed channeling public investment towards productive and innovative development.

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