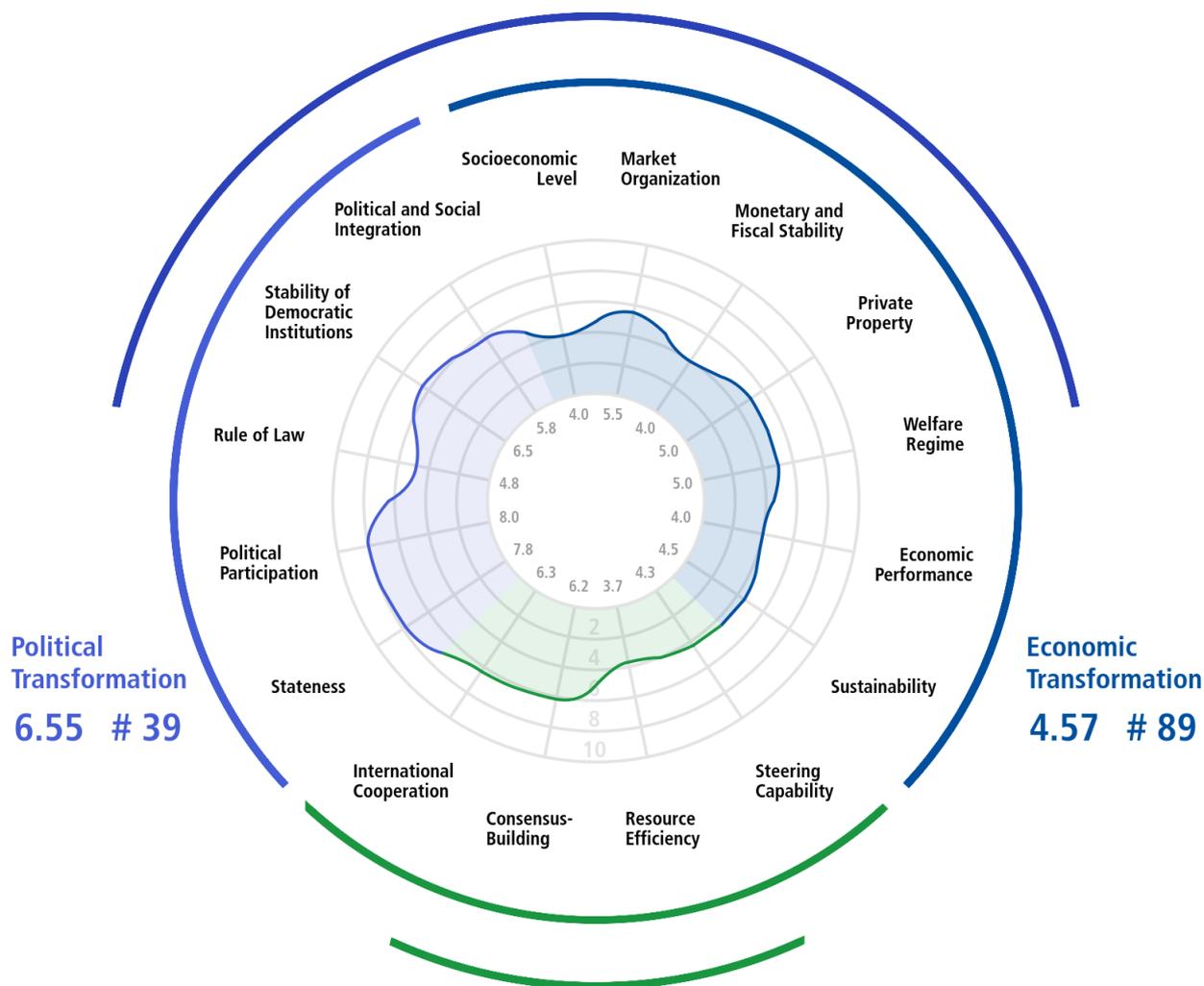


# Bolivia

## Status Index

**5.56 # 57**

on 1-10 scale out of 137



**Political Transformation**  
**6.55 # 39**

**Economic Transformation**  
**4.57 # 89**

## Governance Index

**4.58 # 70**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### **Sabine Donner**

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### **Hauke Hartmann**

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### **Sebastian Plate**

Phone +49 5241 81 81263  
[sebastian.plate@bertelsmann-stiftung.de](mailto:sebastian.plate@bertelsmann-stiftung.de)

### **Sabine Steinkamp**

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>12.4</b>	HDI	<b>0.733</b>	GDP p.c., PPP \$	<b>11190</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.4</b>	HDI rank of 193	<b>108</b>	Gini Index	<b>42.1</b>
Life expectancy	years	<b>68.6</b>	UN Education Index	<b>0.768</b>	Poverty <sup>3</sup>	% <b>5.4</b>
Urban population	%	<b>71.5</b>	Gender inequality <sup>2</sup>	<b>0.419</b>	Aid per capita \$	<b>62.4</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

During the period under review (February 2023 – January 2025), Bolivia felt the reverberations of a severe political, economic and social crisis. The period was marked by intense political polarization, deepening internal conflicts within the ruling Movement Toward Socialism (MAS) party, and a severe shortage of U.S. dollars and fuel.

Political polarization in Bolivia during this period occurred on at least two levels. The first was the divide between the political left, primarily represented by the MAS party, and the opposition, composed of right-wing parties. This polarization has been most evident in the conflicting narratives surrounding the events following the 2019 presidential elections, with one side viewing them as electoral fraud and the other as a coup. Surveys indicate that roughly 40% of respondents on each side perceive the 2019 events either as a coup or as fraud. The second level of polarization involves internal divisions within the MAS party. The power struggle between the pro-Luis Arce (Arcista) and pro-Evo Morales (Evista) factions has left the Arce administration commanding only a minority in parliament. Critics argue that this has led Arce to exert control over the judiciary to bypass parliamentary scrutiny by having several parliamentary acts declared unconstitutional.

Conditions for political rights and media freedom have deteriorated. According to the Inter-American Commission on Human Rights and Human Rights Watch, the judiciary lacks independence. Indigenous leaders and coca growers opposed to the government have been detained, as have opposition politicians accused of involvement in the alleged 2019 coup d'état. One of the most alarming incidents was a failed coup attempt in June 2024 led by General Juan José Zúñiga and military personnel. The events surrounding the coup were highly irregular, and Zúñiga afterward claimed the attempt was orchestrated in agreement with President Arce to boost Arce's popularity. In response, both Evo Morales' faction and the opposition accused Arce of staging a self-inflicted coup.

Economically, Bolivia is in deep crisis and on the verge of collapse. International reserves are at an all-time low. President Arce's main campaign promise was to spur an economic recovery, but progress has been modest so far. Although Bolivia returned to growth after extensive quarantine measures in 2020, growth in 2021 and 2022 remained below international organizations' projections. Bolivia did not reach pre-pandemic GDP levels until early 2023.

The crisis has worsened because of a sharp decline in gas exports, driven by the depletion of natural gas reserves. This downturn has triggered a balance-of-payments crisis, marked by a significant drop in export revenues and mounting pressure on foreign currency reserves. To mitigate these challenges, the government has increasingly relied on external debt to finance expenditures, raising concerns about fiscal sustainability.

Bolivia is experiencing persistent shortages of fuel and essential goods because of severe revenue losses, further straining the economy. While inflation was successfully contained in the post-pandemic period, recent sharp increases have fueled public dissatisfaction. Deteriorating fiscal and monetary conditions raise concerns about the viability of the government's neo-developmental strategy, which relies on public debt to compensate for declining gas revenues, which have been a key financial pillar for over two decades. With nine consecutive years of fiscal and external deficits, critically low international reserves and a stagnant economy facing inflationary pressures, Bolivia is in growing need of structural adjustments to restore macroeconomic stability.

## History and Characteristics of Transformation

Bolivia remains among Latin America's poorest countries, with significant disparities across its geographically, ethnically and economically diverse regions. A key political divide has emerged between the highlands – home to the administrative capital, La Paz – and the southeastern lowlands, where thriving agribusinesses and gas fields are located. The majority of Bolivia's population has Indigenous heritage and has historically faced systemic discrimination. The 2009 constitution formally recognized 36 Indigenous peoples, with the Quechua and Aymara the largest communities.

The 1952 revolution introduced sweeping changes, including agrarian reform, the nationalization of major mining companies, universal suffrage without literacy requirements and expanded social policies. However, during 1964 – 1982, Bolivia oscillated between civilian and military rule. Democratic stability was reestablished in 1985 and lasted until President Sánchez de Lozada's forced resignation in 2003. During this period, three dominant political parties governed through shifting coalitions, implementing market-oriented reforms. Yet, by the late 1990s, Indigenous and social movements were increasingly challenging this elite-driven "pacted democracy."

In December 2005, a wave of mass protests culminated in the election of Evo Morales, Bolivia's first Indigenous president. Morales and his MAS party ushered in profound political change, including constitutional reform and shifts in economic and social policies. The 2009 constitution redefined Bolivia as a "plurinational" state, granting departmental (subnational) autonomies and expanding political, civic, social, economic and collective Indigenous rights.

In economic terms, the Morales administration increased state control and leveraged revenue from hydrocarbons and mineral resources to expand social spending and public investment. Early MAS policies also emphasized agrarian reform, resulting in significant gains in land titling and redistribution. During this period – marked by an unprecedented economic boom – poverty rates fell sharply, and socioeconomic inequality decreased. However, efforts to reduce reliance on commodity exports by industrializing extractive resources (such as gas, minerals and lithium) have yielded limited success. By 2015, falling commodity prices exposed Bolivia’s continued dependence on the primary sector.

Initially, the Morales government overcame resistance from the old political elite and regionalist movements in the southeastern lowlands. By 2009, the MAS had secured a two-thirds majority in both houses of parliament. However, opposition forces resurged in 2016 – 2019, fueled by a controversial 2016 referendum in which a majority of the population rejected Morales’ bid for a fourth presidential term. Subsequently, the MAS relied on a lenient constitutional court to circumvent term limits and allow Morales to run for another term, arguing that term limits violated Morales’ “human rights” – a move that further undermined the government’s legitimacy.

The 2019 election was annulled amid allegations of fraud, sparking mass protests and Morales’ resignation. A one-year interim government followed. It was led by opposition lawmaker Jeanine Áñez and deemed by MAS to be a *de facto* administration. The international community did not widely support this claim. With international support, new elections were held in 2020, resulting in a MAS victory under Luis Arce, Morales’ former economy minister. However, by 2022, an internal power struggle led Arce and Morales to part ways, leaving MAS deeply divided.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force is not openly contested. However, the state's presence is not uniformly robust in all parts of the country. Although there are no structured guerrilla groups, mafias or clans actively challenging the state's monopoly on the use of force, the country's geographic and ethnic diversity, compounded by high levels of inequality, creates incentives for regional elites and Indigenous communities to command higher levels of legitimacy and greater authority than the state. In remote areas, landowners and narco-traffickers are, de facto, the most important authorities.

Various groups periodically challenge the under-resourced and poorly trained security forces. In the valleys and lowlands of the country, rich agricultural soil is threatened by armed groups that pose as landless peasants and are supported by criminal organizations. Coca-leaf producers in the Chapare region challenge the legitimate use of force by the police and armed forces. Reports of land seizures are common in the country. In August 2024, as the ruling party (MAS) showed divisions, the coca growers who supported the wing led by former President Evo Morales managed to push the police and armed forces out of the region for more than a month.

In recent years, a strong regionalist movement with the potential for radicalization has emerged in Santa Cruz, Bolivia's wealthiest and most populous province. In the latter half of 2022, the region staged several strikes in response to the government's decision to postpone the national census from 2022 to 2024. In September 2024, another strike was launched to challenge the accuracy of the census results, arguing that the census undercounted Santa Cruz's population, thereby reducing the region's access to resources and political representation. However, while strikes or instances of non-compliance by the national police or military may temporarily challenge the state's ability to exercise its monopoly on the use of force, they do not fundamentally undermine this monopoly.

Question  
Score

Monopoly on the  
use of force

7



1

The Bolivian state is broadly accepted as legitimate by all major societal actors, despite ongoing debates over its constitutional identity as a “plurinational state.” Some segments of the population contest aspects of this framework, including the recognition and rights of Indigenous “nations and peoples” in relation to the idea of a unified “Bolivian republic” or “Bolivian nation.” Demands for federalism by the regionalist movement in Santa Cruz add to these debates. However, no major group actively challenges the state’s legitimacy. Citizenship is widely regarded as inclusive, with no group systematically denied access. The 2009 constitution enshrines extensive citizenship rights, including economic, social and cultural protections. However, de facto access to socioeconomic citizenship rights remains limited for historically disadvantaged groups.

More than 90% of Bolivia’s population is religious, with 70% identifying as Catholic. Since the country held a constituent assembly and reformed its constitution during the 2006 – 2009 period, Bolivia has formally been a secular state. However, demands to reform criminal legislation on issues such as abortion have encountered fierce opposition from religious groups. Religious conservatism plays a political role, contributing to the narrative and legitimation strategies of the opposition to the MAS, but it is not a dominant trait within the bloc of opposition parties.

Administrative structures function nationwide, although the state’s physical and administrative infrastructure is limited in marginalized areas. Moreover, administrative capabilities suffer from a lack of professionalism as well as politicization, inefficiency and corruption.

Following President Gonzalo Sánchez de Lozada’s post-1994 decentralization reforms, the provision of water and sanitation services has improved in rural and marginalized areas, as have school construction efforts and health centers. Infrastructure saw further improvements under President Evo Morales (2006 – 2019). However, it is worth noting that subnational governments, which largely depend on income from gas exports, will face difficulty sustaining public services as the country’s gas reserves dwindle and foreign exchange dries up. Fuel shortages are also affecting administrative structures.

According to the UN’s Department of Economic and Social Affairs, in 2020, 84.7% of the population had access to improved water sources, and 62.5% had access to basic sanitation. According to World Bank data, 99.9% of the population had access to electricity in 2022.

#### State identity

9



1

#### No interference of religious dogmas

9



1

#### Basic administration

6



1

## 2 | Political Participation

Political representatives are formally elected in generally free, fair and competitive elections. Elections are conducted by secret ballot under conditions of universal suffrage. Candidates have the right to campaign for elective office, and multiple parties with distinct platforms can compete. Voter turnout rates are high, as voting is compulsory. In general, the results of elections and referendums are not questioned. Under the provision of the 2009 constitution, members of the highest judicial tribunals are also elected by popular vote.

Despite these general characteristics, the October 2019 general elections were marred by serious allegations of electoral fraud and ultimately annulled. Following this, the Tribunal Supremo Electoral (TSE) was restructured with the goal of restoring its reputation as a relatively impartial and professional electoral management body.

In response to the COVID-19 pandemic, the TSE postponed the new elections to October 18, 2020. These elections were widely recognized as free and fair, with open media access, transparent registration procedures and no major irregularities. In the presidential race, Luis Arce secured a decisive victory with 55% of the vote, defeating moderate-right candidate Carlos Mesa (29%) and the right-wing leader Luis Fernando Camacho from Santa Cruz (14%). MAS also won an uncontested majority in both chambers of the Legislative Assembly.

In 2021, subnational and municipal elections were held that impartial observers also deemed free and fair. These showed that the MAS, while still the largest party in the country, had lost support in the larger urban centers.

In the run-up to the 2025 national elections, Evo Morales accused the Plurinational Constitutional Tribunal (TCP) of illegally disqualifying him as a candidate. The tribunal aligned itself with a 2021 ruling by the Inter-American Court of Human Rights, which confirmed that prohibiting consecutive presidential reelections does not violate human rights and is compatible with democratic principles.

Generally, elected rulers have effective power to govern. Veto powers are limited to certain pockets of territory or, functionally, to certain policy decisions. Under the Morales government, the influence of the clergy, landowners, business elites and external actors (e.g., the United States government and international financial institutions) declined significantly, as did the independent influence of mobilized groups such as peasants, cooperative miners and coca growers, as they become active parts of the ruling coalition led by Morales.

In Bolivia, the influence of wealthy groups and actors is partly balanced by highly mobilized organizations representing the interests of the lower classes (i.e., the “popular sectors”), which have historically exercised a kind of veto power in various

Free and fair elections

9



1

Effective power to govern

8



1

policy areas. Miners – especially cooperatives – and, more recently, peasants and coca growers have shaped Bolivia’s policy in areas such as taxes, land tenure, narcotics and social security.

The veto power especially of cooperative miners and coca growers increased over the course of 2024 as the country experienced a foreign-exchange crisis and the ruling party was divided. Morales’ supporters organized two waves of road blockades during the year, primarily in the Chapare region, protesting the alleged judicial prosecution of their leader and proclaiming his right to lead the party in the 2025 election. Coca growers, who were at the heart of this segment, expelled the police and armed forces from the region for almost a month. Cooperative miners have secured a relaxation of environmental rules, especially for the use of mercury in gold extraction, a portion of which the government buys to alleviate its foreign-exchange crisis.

The freedoms of assembly and association are constitutionally guaranteed and not restricted in principle. There are no formal barriers to founding an organization or interest group. However, when an organization becomes politically active, especially if it participates in protests, it can face several barriers to its operations.

For example, former Association of Coca Leaf Producers leader Cesar Apaza was detained in September 2022, accused of multiple crimes for his participation in protests by coca-leaf producers in the Yungas. He was released only in January 2024. Cocalero leader Freddy Machicado was also detained in response to these protests. The Arce government severely repressed these protests. The Inter-American Commission on Human Rights expressed concern about the Bolivian judiciary’s lack of independence in this case. Likewise, peasant leaders Humberto Claros and Ramiro Cucho, who belong to the party faction close to Evo Morales, were detained in November 2024.

The Permanent Assembly for Human Rights in Bolivia (APDHB), an NGO based in La Paz, was taken over in June 2023 by groups linked to the government. As a result, Amparo Carvajal, an 84-year-old human rights defender and the institution’s president, held a vigil for almost two months until the occupiers vacated the NGO.

Mobilizations by supporters of Santa Cruz’s regionalist movement were occasionally met with police violence. The governor of Santa Cruz, Luis Fernando Camacho, remained in pretrial detention as of the close of the review period, facing seven charges, including alleged misuse of public funds and terrorism. These accusations stemmed from protests against postponing the 2022 census and from his involvement in the alleged 2019 coup against Evo Morales. Similarly, former interim President Jeanine Áñez was serving a 10-year sentence for the same reason. Several other leaders of the regionalist movement face prosecution for their involvement in the 2022 protests.

Association /  
assembly rights

8



1

Bolivia's constitution guarantees the freedom of expression. However, the state's respect for this freedom diminished over the period analyzed, and the corresponding norms have yet to be translated into legislation.

The media landscape is pluralistic because of a robust mix of state, private and church-owned media. Under the 2011 telecommunications law, television and radio frequencies must be distributed equally among the state, the private sector, and community-based small farmers and Indigenous groups. Generally, non-state media provide vigorous reporting on controversial issues and government performance.

Under President Morales, opposition-leaning private media were subjected to attacks and harassment. In some cases, journalists were threatened or beaten, lost their jobs, were forced to resign, or had to stand trial. Under interim President Áñez, a similar pattern was observed but with different political targets. MAS-aligned community radio services came under particular pressure. The Arce government has continued practices that violate the freedom of expression. Private media have complained about restrictions and economic pressure imposed by the government.

Unitas, an NGO, documented more than 80 attacks on the freedom of expression in Bolivia in 2024. Several were carried out by security forces, but most occurred as journalists tried to cover protests, road blockades and political gatherings organized by the divided wings of the ruling party or segments of the opposition. According to RSF's 2024 World Press Freedom Report, Bolivia is in a "difficult" situation. The country was ranked at 124th place out of 180 countries worldwide, a further decline from 117th place in 2023.

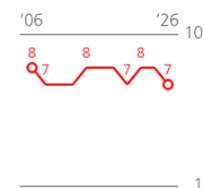
### 3 | Rule of Law

Historically, Bolivia's constitutions have upheld a clear separation of powers among the three branches of government – executive, legislative and judicial – with members chosen through popular elections. Additionally, the Electoral Organ is recognized as a fourth branch, and vaguely defined civil society rights are intended to serve as vertical checks on the government. However, in practice, the separation of powers has weakened, particularly in the area of judicial independence.

On the one hand, this lack of horizontal accountability stems from entrenched executive interference in judicial and legislative affairs as well as broader issues of politicization, corruption and weak administrative capacity. It is also partly a consequence of the MAS party's decade-long dominance; the party held a two-thirds majority in both chambers of the legislature from 2009 to 2019. This concentration of power severely limited the opposition's ability to check the executive, influence legislation and participate meaningfully in the preselection of judicial candidates. As a result, the judicial elections of 2011 and 2017 produced a judiciary largely aligned with the government. The opposition also complained that the government

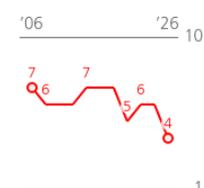
#### Freedom of expression

7



#### Separation of powers

4



manipulated the parliamentary agenda to elect a new Defensor del Pueblo (Ombudsperson) on a day when several opposition members of parliament were absent, resulting in the election of Pedro Callizaya, who was purportedly very close to the ruling party.

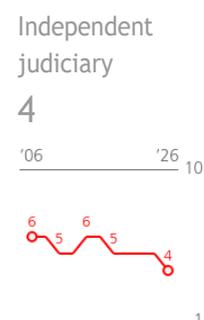
Internal division within the ruling MAS led to conditions of persistent impasse between the executive and the legislature. President Arce challenged the legislature by reinstating his interior minister 24 hours after the minister was impeached in 2023. Parliament retaliated by blocking approval of several international credits that Arce needed to alleviate the foreign-exchange crisis.

Pro-Morales and opposition legislators claim that Arce colluded with the Plurinational Constitutional Tribunal (TCP) to illegally extend the terms of allied justices currently in office. On December 11, 2023, the TCP issued Constitutional Ruling 0049/2023, in which the magistrates extended their own terms, an unconstitutional act. This was accomplished due to the understanding achieved between the judicial and executive branches. By delaying the election of new judges, the TCP effectively interfered with the constitutional prerogatives of the legislative and electoral authorities.

While Bolivia's democracy suffers from weak horizontal accountability, relatively strong vertical checks partially offset this weakness. Powerful social organizations play an informal yet significant role in exerting control, often mobilizing to push through sectoral demands. However, these groups have also been used to intimidate opposition lawmakers. For example, on February 22, 2024, groups aligned with the Arce government surrounded parliament and harassed legislators to force the approval of international loans. During the disruption, Israel Huaytari, the president of the Chamber of Representatives and an ally of Arce, reinstated the session without the opposition present. As a result, laws were passed without the necessary quorum in place.

Vertical accountability also derives from the presence of elected governments at the subnational and local levels. Since the 2021 subnational elections, the most influential provinces and cities have been governed by political forces that have successfully challenged the MAS government at the national level.

The judiciary has traditionally been the weakest branch of the Bolivian government, and its independence remains significantly constrained in practice. Electing judges to the highest courts by popular vote – a process introduced by the 2009 constitution – has not produced positive change. On the contrary, because of the MAS's overwhelming majority in parliament in the 2009 – 2019 period, judges elected in the second round of judicial elections in 2017 are widely perceived as being aligned with the government and strongly influenced by pressure groups linked to the ruling party.



After MAS lost its two-thirds legislative majority in 2020 and then split in 2022, the preselection of judicial candidates stalled, leading to a yearlong deadlock. The Arce government initiated a reform process led by Minister of Justice Iván Lima but abandoned it just months later. Judicial elections, originally scheduled for 2023, faced significant delays and were only partially held in December 2024. Five members of the TCP and two members of the Supreme Justice Tribunal who had served since 2017 continued in their positions. Pro-Morales legislators and opposition members accuse President Arce of colluding with the TCP to illegally extend the terms of justices aligned with him, allegedly to influence the judiciary ahead of the 2025 presidential election.

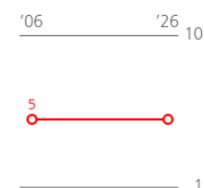
At the same time, enduring “traditional” challenges persist, including administrative deficiencies, limited resources, restricted access for ordinary (poor) citizens, corruption and political interference. Another challenge concerns jurisdictional boundaries and coordination between the ordinary state judicial system and various Indigenous justice systems, which were officially recognized by the 2009 constitution and perform judicial functions.

Corruption is widespread and deeply rooted in Bolivia. Major corruption scandals during the Morales, Añez and Arce administrations confirm that even high-level state officials are directly involved. At the close of the review period, the Arce government was facing several corruption complaints in areas such as deforestation concessions, the adjudication of million-dollar infrastructure contracts, the appointment of judges and district attorneys, and the regularization of rural land. Even some former ministers of Evo Morales’ administration who worked closely with Luis Arce in the previous decade have publicly alleged the presence of corruption in the public hydrocarbons company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), involving Arce’s son.

During 2020 – 2024, six ministers in the Arce cabinet were dismissed for flagrant corruption, primarily involving land trafficking and misconduct within the Ministry of Education. These scandals demonstrate that the media and the public are sensitive to corruption and that corrupt officeholders do face political and legal consequences once their actions become public. However, there is limited institutional capacity and political will to systematically uncover and prosecute corrupt and illegal practices. Additionally, governments have used anti-corruption campaigns to selectively target political rivals.

Prosecution of  
office abuse

5



Civil rights are guaranteed by the constitution and, since 2015, have been supplemented by a comprehensive set of plans and strategies to protect them. With respect to gender-based discrimination, Bolivia has made significant strides. In addition, a 2016 law grants transgender people the right to change their name and gender in official documents. Although Bolivian law does not officially recognize same-sex marriage, a December 2020 court ruling recognized the right of same-sex couples to enter into a free civil union. The Defensoría del Pueblo (Ombuds Office) is responsible for monitoring and addressing human rights abuses. In recent years, however, its effectiveness has been undermined by perceptions of excessive alignment with the MAS party.

In practice, civil rights are not guaranteed. Severe human rights violations emerged during the political crisis of October – November 2019. More recently, amid post-electoral protests against the MAS government, non-state actors carried out violent attacks. In July 2024, the Inter-American Court of Justice confirmed that it would begin a trial against the Bolivian state, claiming that security forces carried out a massacre during the Morales administration.

Within this polarized environment, the mechanisms in place to prosecute, punish and remedy these violations have become highly politicized. In structural terms, corruption, the lack of administrative capacities, and the de facto discrimination against the socioeconomically marginalized and primarily Indigenous population continue to hamper equality before the law, equal access to justice and due process under the rule of law.

Because Bolivian prisons are severely overcrowded, with about two-thirds of inmates in pretrial detention – often staying there for years – prisoners experience systematic violations of fundamental civil rights. Charges of torture against the police and the military often go unprosecuted.

Indigenous justice systems can conflict with certain individual rights. The 2009 constitution gives clear priority to the right to life and to defense, along with other civil rights and guarantees. The corresponding law, Ley de Deslinde Jurisdiccional, is fairly restrictive about the scope and limits of Indigenous community justice. However, violations of fundamental civil rights sometimes occur in community justice contexts, for example in the case of lynchings.

Civil rights

6

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6

\_\_\_\_\_ 1

#### 4 | Stability of Democratic Institutions

Bolivia's democratic crisis, following Morales' resignation in 2019, was resolved in 2020 and 2021 through free and fair elections, restoring constitutional democratic institutions. However, political polarization and other structural weaknesses continue to limit the performance of the legislature and, most notably, the judiciary.

The relationship between President Arce and the newly elected parliament, in which his MAS faction holds only a minority, has been marked by deep mistrust. Although the government and the main opposition parties have announced plans for fundamental judicial reform, they have not reached consensus on how to achieve it.

Bolivia's model of territorial autonomy features democratic institutions at various subnational levels, primarily departmental and municipal. While these institutions generally fulfill their functions, structural weaknesses and conflicts exist both within subnational governments and in their relations with the national level. These tensions came to the fore during the COVID-19 pandemic and hindered an effective response to the crisis.

In recent years, the legitimacy of Bolivia's democratic institutions has been severely eroded by Evo Morales' repeated maneuvers to circumvent term limits. The situation began to improve in 2021 when the Inter-American Court of Human Rights ruled that term limits did not violate an incumbent's rights under the Inter-American Convention on Human Rights, thereby clarifying the issue of re-election. Bolivia's TCP endorsed this ruling in December 2023. Most relevant political actors welcomed the decision, except for Morales and his MAS faction, who continued to challenge the legitimacy of Luis Arce's election.

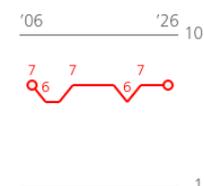
The judiciary is under serious scrutiny, with both the opposition and the government acknowledging the need for significant reforms. However, the Arcista wing of MAS disagrees with the opposition's main criticism that the judiciary is controlled by the executive.

#### 5 | Political and Social Integration

At the national level, the MAS is the only political party with significant weight. However, it functions more as an instrument of powerful peasant organizations than as an independent party. The MAS has deep social roots, particularly in rural and peri-urban highland areas, and effectively represents a broad range of societal interests. Over its years in power, it has become increasingly hierarchical and top-down, losing support among former allies. Its extended time in power has also led to the co-optation of peasant organizations and growing clientelism in these groups' relationship with the party.

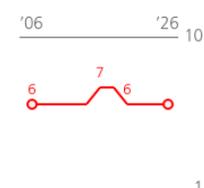
Performance of democratic institutions

7



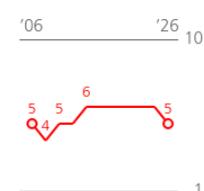
Commitment to democratic institutions

6



Party system

5



From 2021 onward, the party began to experience divisions, with one “Arcista” wing supporting President Arce, and another “Evista” wing supporting Evo Morales and his attempts to run for a new term as president. This division can be traced to the party’s surprising loss of power in November 2019, as well as its failure to carry out a comprehensive renewal and a reconnection with its constituencies. However, as of the close of the review period, these divisions had not yet crystallized into a full rupture within the party.

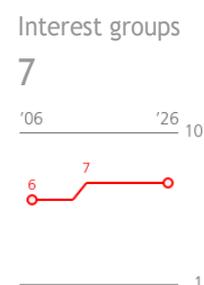
Bolivian opposition parties mainly rely on regional or local organizations and social roots. In the October 2020 elections, several opposition leaders attempted to create a unified alternative but were unsuccessful. Two groups won seats in parliament: Carlos Mesa’s Comunidad Ciudadana (with 29% of the vote) and Luis Fernando Camacho’s Creemos (with 14%). Neither Mesa nor Camacho formed a political party; instead, they “borrowed” the names of existing ones (FRI and MNR, respectively). In the March 2021 subnational elections, Creemos demonstrated its regional strength by electing Camacho as governor of Santa Cruz but failed to win in other provinces or key municipalities. Comunidad Ciudadana did not secure victories in any region or major municipality. These outcomes highlight the limits these political forces face in forming broader electoral alliances with established local and regional parties.

For many years, Bolivia’s party system has been defined by the high levels of polarization between the MAS and the fragmented opposition. Ahead of the 2025 election, the open division within the MAS and the likelihood that the opposition will fail to coalesce around a single coherent organization appeared likely to further fragment the system.

A wide range of interest groups reflects the diverse and partly competing social interests and values. The traditional economic elites are represented by business associations, including the National Business Confederation (CEPB) and influential regional business associations, particularly in Santa Cruz. Organized labor is represented by numerous trade union organizations (some with long, entrenched traditions of political conflict, like the miners). Trade unions are organized under the umbrella of the national labor association, Central Obrera Boliviana (COB), and its sectoral and regional federations.

In addition, Comités Cívicos represent regional interests. These civic committees are made up of representatives from various sectors, including agriculture, transportation, university associations, departmental labor unions, neighborhoods and other relevant groups. At the regional and national levels, the rural population is represented by several peasant organizations and Indigenous movements. The local level is characterized by a large number of community or neighborhood associations.

None of these interest groups dominates the rest, but power is not distributed equally. While business associations benefit from their economic power, organizations representing students and the lower classes – the so-called popular sectors – rely on



direct action, displaying an impressive capacity to mobilize their supporters. Some of them are also influential within the governing MAS party, which was formed as an alliance between several popular and rural interest groups.

Bolivian interest groups are part of the overall polarization, which has intensified in recent years. Specifically, the political crisis in October and November 2019 was marked by violent clashes between pro- and anti-MAS groups. However, conflicts have also flared between explicitly Indigenous organizations such as CIDOB and CONAMAQ and more class-based organizations representing peasants including Indigenous colonos. Consequently, there is often little inclination to work together and find common ground. Moreover, the open divide within MAS in 2023 and 2024 had repercussions for its constitutive rural organization, which also split into Arcista and Evista wings.

According to the most recent Latin American Public Opinion Project (LAPOP) data (from the 2023 survey), the share of the public identifying democracy as the comparatively best type of regime fell from 61% to 51%, while the share satisfied with democracy in the country fell from 43% to 28%.

Latinobarómetro data show that overall support for democracy has declined in recent years, despite a significant increase in the early years of the Morales government. The share of the public expressing such support fell from 71% in 2009 to 64% in 2016, 59% in 2017 and 53% in 2018, then rose by 1 percentage point in 2020 before falling again to 47% in 2024 (falling below the regional average of 52%). In 2018, 12% of respondents declared that an authoritarian regime would be preferable to democracy. However, this figure fell to 10% in 2020 before increasing – in line with the regional average – to 16% in 2024.

Regarding performance of the country's own institutions, the share of the public expressing satisfaction with democracy in Bolivia, which was around 50% in 2009 and recovered to near this level after a temporary slump in 2012, plummeted to just 10% in 2024 – the lowest level in the region and 23 percentage points below the regional average. Only 12% supported the statement that the government acts in the interest of the people, down from 25% in 2020 and significantly below the regional average of 24%.

Levels of trust in specific political institutions are also generally low. In 2024, 20% of survey respondents said they trusted the parliament (down from 27%). An even lower share expressed trust in the judiciary (13%) or, at the bottom of the list, in political parties (10%). Meanwhile, 23% said they trusted the military, and 16% said they trusted the police. The most trusted national institution remains the church (59%).

Approval of  
democracy

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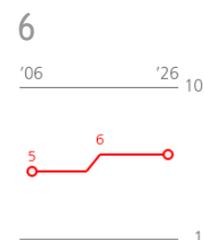
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The country has been characterized by a relatively high level of voluntary, autonomous organization at least since the revolutionary upheaval of the 1950s. Throughout the country, numerous self-organized groups, associations, civic committees and organizations exist. Many Indigenous and peasant groups have rich, institutionalized community structures, often blending (reinvented) Indigenous traditions with a trade-union-style organizational culture. Even in urban settings characterized by a largely informal economy, such as El Alto, the degree of social self-organization is remarkably high.

On the whole, the relatively substantial degree of cooperation and mutual support for self-help indicates correspondingly high levels of social capital. However, this capital remains highly fragmented, and the prevalence of rivalries and conflicts among civil society organizations suggests it is more bonding or in-group-oriented than oriented toward bridging or uniting different groups.

As in most Latin American countries, levels of interpersonal trust are low. According to Latinobarómetro, 12% of survey respondents in 2024 expressed trust in “the majority of the people” (regional average: 15%). Because of the high degree of fragmentation of Bolivian society along socioeconomic, regional and ethnic lines, trust and solidarity rarely stretch beyond specific subgroups or communities. In particular, a strong sense of solidarity tends to prevail at the community or neighborhood level. During the COVID-19 pandemic, self-help organizations played an important role in mitigating the weak public policy response at various levels of government.

#### Social capital



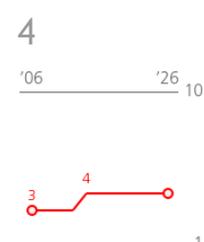
## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Socioeconomic barriers in Bolivia are deeply entrenched, with significant poverty and inequality persisting despite gains from natural gas revenues. The rate of moderate poverty (those living on less than \$5.50 per day) decreased from 47.2% to 15.2% between 2005 and 2021. As of 2021, 5.4% of the population lived on less than \$3.65 per day and 2% lived on less than \$2.15. According to Bolivia’s national standards, 11.1% lived in extreme poverty and 36.6% in moderate poverty in 2021, as reported by the National Institute of Statistics (INE). Bolivia’s score on the Human Development Index (HDI) improved from 0.697 in 2015 to 0.718 in 2019, positioning the country in the “high human development” category. However, the score dropped in the 2020 – 2021 period, falling to 0.692 in 2021, placing the country at 120th out of 189 countries.

#### Question Score

#### Socioeconomic barriers



The country's Gini coefficient decreased steadily from 0.565 in 2007 to 0.422 in 2018, but – due to the pandemic – rose to 0.436 in 2020 before dropping again to 0.420 in 2021. The reduction in the HDI score due to inequality fell from 34.2% in 2011 to 20.7% in 2021 and to 19.8% in 2022, though this remains above the regional average. Bolivia's score on the UNDP's Gender Inequality Index improved from 0.550 in 2005 to 0.418 in 2022. Despite these improvements, significant inequalities persist, particularly among Indigenous peoples, rural residents and women, who face above-average poverty rates that reflect the country's deep structural socioeconomic barriers.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	40406.1	44008.3	45135.4	<b>49668.3</b>
GDP growth	%	6.1	3.6	3.1	<b>1.4</b>
Inflation (CPI)	%	0.7	1.7	2.6	<b>5.1</b>
Unemployment	%	5.1	3.6	3.0	<b>3.1</b>
Foreign direct investment	% of GDP	1.4	0.0	0.5	<b>0.8</b>
Export growth	%	15.4	15.1	-8.8	-
Import growth	%	15.7	8.8	-2.5	-
Current account balance	\$ M	1591.6	1154.3	-1144.7	<b>-1437.8</b>
Public debt	% of GDP	81.4	80.1	90.8	<b>98.0</b>
External debt	\$ M	16025.6	15930.3	16306.9	-
Total debt service	\$ M	1635.0	2405.2	1712.2	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	19.3	19.1	19.3	-
Public education spending	% of GDP	8.0	7.6	8.3	-
Public health spending	% of GDP	5.9	5.9	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.3	1.0	1.4	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

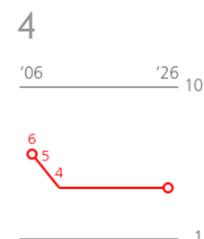
The basic institutional conditions for market-based competition are in place. However, market entry for domestic and foreign companies can be challenging due to a lack of transparency and legal hurdles. In addition, the economy is marked by significant imbalances between competitive export-oriented sectors such as agribusiness and weak national industries, as well as by a substantial informal and subsistence economy. According to the ILO, informal employment accounted for 84.5% of all employment in 2023.

Since 2006, the role of the state in the economy has expanded through public investment, public enterprises and state regulation. Consequently, there is substantial state participation and intervention in strategic sectors, most notably in Bolivia's hydrocarbons sector. The 2006 nationalization of the country's oil and gas reserves has resulted in increased duties on oil and gas companies and the revival of the traditional state-owned oil company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) as a major player in the sector. Moreover, additional "nationalizations" have affected foreign companies across various sectors, including mining, energy and telecommunications. However, the 2009 constitution prohibits any international arbitration of investment disputes. Consequently, Bolivia's degree of investment freedom, as measured by the Heritage Foundation's 2025 Index of Economic Freedom, is very low, qualifying as "repressed." Overall, Bolivia is ranked at 164th place out of 184 countries on this index. Furthermore, administered prices are in place for petroleum products, potable water and certain staple foods.

The 2009 constitution envisions a "plural" economy comprising "communitarian, state, private and social cooperative" forms of economic organization, and prioritizes domestic investment over foreign investment. In general, Bolivia is open to foreign trade and investment, and the 2014 investment law guarantees equal treatment for national and foreign companies. However, strategic sectors must remain under state control; if foreign investors participate, they must do so through joint ventures. Hydrocarbons and lithium are considered strategic sectors, with telecommunications infrastructure more recently added to this list. Profits can be repatriated with a 12.5% withholding tax (with the exception of private profits from natural resources, which must be reinvested in the country).

These obstacles are compounded by the tax system, which is among the main hindrances to market competition. A weak institutional framework prevails in this area, where formal enterprises face unclear, bureaucratic administrative procedures. According to the 1841 Foundation, Bolivia ranks 7th worldwide among countries with the worst tax systems. Companies are subject to escalating inspections, resulting in substantial fines.

Market  
organization



Based on Article 314 of the 2009 constitution, which prohibits private monopolies and oligopolies, the government established an office tasked with supervising and regulating private companies, and with promoting and protecting free competition. However, there is no economywide competition law and no comprehensive merger control system. Sector-specific regulations against anti-competitive practices exist, but these regulations have been implemented inconsistently for many years. The responsible institution is the Autoridad de Empresas (Enterprise Authority). Bolivia is not a member of the International Competition Network.

State intervention has reinforced monopolistic tendencies in key sectors, particularly hydrocarbons and telecommunications. In the hydrocarbons sector, the state-owned YPFB regained control of production and distribution, although multinational companies continue to operate in the country. Telecommunications is dominated by three major providers, led by the state-owned ENTEL, which controls infrastructure, including international internet access. Initially, the Morales administration planned to subject media licenses to public tender in 2018, but it later automatically extended them for 15 years. The 2009 constitution caps landholdings at 5,000 hectares, but because it is not retroactive, its impact on land distribution remains limited.

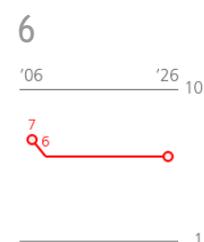
Foreign trade was deregulated after 1985 and further liberalized and diversified throughout the 1990s. The MAS government implemented several changes to counteract this deregulation. In 2007, tariffs of up to 40% were imposed on several products – the maximum the country can charge under the bound tariffs it has with the WTO.

Nevertheless, Bolivia's average tariff rate has changed little in recent years, hovering between 4% and 5%. In 2023, the simple average of most-favored nation applied total tariffs was 11.8% (WTO). Several non-tariff barriers also remain. Export quotas on agricultural and agribusiness exports are the main concern for exporters in the country's lowlands because they apply to some of the most significant agricultural exports, such as soy oil, meat and sugar.

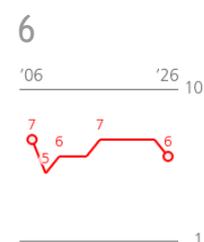
Bolivia has been a member of the WTO since 1995 and is also a member of the Andean Community (CAN), the Union of South American Nations (UNASUR), the Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Treaty (ALBA-TCP), the Community of Latin American and Caribbean States (CELAC), the Latin American Integration Association (ALADI), the Latin American and Caribbean Economic System (SELA) and others. It was an associated member of Mercosur for many years before signing up for full membership in 2015; however, ratification is still pending.

Bolivia withdrew from trade negotiations with the United States and the European Union but has continued to establish cooperation frameworks with the European Union. In 2008, following a severe crisis in bilateral relations, the U.S. government revoked several trade preferences and suspended Bolivia's inclusion in the Andean

#### Competition policy



#### Liberalization of foreign trade



Trade Promotion and Drug Eradication Act (ATPDEA), actions that have contributed to a growing trend of diversification among trade partners. Export markets in Latin America, specifically Brazil, and in the Asia-Pacific region, notably China, have become increasingly significant.

The Arce government has been critical of free trade agreements. Since early 2021, interventionist policies increased because import substitution was made a pillar of the government's development plan. The government repealed several liberalization decrees issued during the Áñez administration. The government also raised tariffs to about 40% for various manufacturing industries, including ceramics and tiles, glass containers and basic agricultural goods.

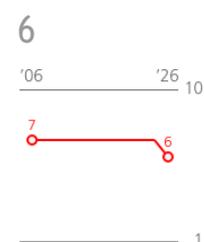
The shortage of dollars and fuel has also led to food shortages and export controls, worsening the crisis. In 2024, the Arce government halted the export of soybeans, meat and sunflower oil and intervened in rice mills.

Bolivia's banking system and capital market are differentiated, open and internationally oriented but are subject to fluctuations because of the economy's small size, lack of supervision and heavy dependence on foreign markets. According to the regulatory authority (Autoridad de Supervisión del Sistema Financiero, ASFI), there are two state-owned banks, 14 private general banks, and about 43 smaller and specialized financial entities and cooperatives in operation. Since 2002, the share of non-performing loans as a percentage of the banks' total gross loans has declined almost continuously, falling from 17.7% in 2006 to 1.5% in 2020 and 2021. As of the close of the review period, ASFI had not fully implemented the Basel III standards.

In 2013, the Financial Services Law established new rules that empowered the executive to set maximum lending rates and minimum lending quotas for the productive sector and social housing. According to the International Monetary Fund (IMF), Bolivia's financial system is generally considered solid and well-capitalized, but there are risks related to credit growth, funding and credit concentration. The Arce administration placed an additional burden on banks when the regulatory authority introduced a mandatory grace period during which banks may charge only interest, not capital amortization, on productive loans. In 2022, a decree was approved requiring banks to allocate an additional 6% of their revenue to productive credit. In June 2024, the central bank approved a resolution that allowed the use, trade and negotiation of crypto assets in the country.

According to the July 2024 Monetary Policy Report from the Central Bank of Bolivia (BCB), financial stability is maintained through measures that ensure liquidity and confidence. After a major bank collapsed in May 2023, overall deposits and loans initially fell, then rebounded. In 2022, total sector assets grew 7.7% year over year, driven mainly by credit expansion, while total deposits rose 7.3%, disproportionately in fixed-term public deposits.

Banking system



However, there are indications that the slowdown in economic activity has already affected the banking system. First, the share of non-performing loans increased during the review period, reaching 3.5% of gross loans as of July 2024. The most concerning issue, however, is the limited availability of dollars. This shortage has been evident in a significant decline in the share of dollar deposits in the banking system. Without formal measures, the country is living in a de facto financial freeze (dubbed the “corralito financiero” in Spanish). Since banks no longer have dollar reserves, they are using various methods to pay out balances in local currency, even to those with dollar accounts.

## 8 | Monetary and fiscal stability

The Central Bank of Bolivia (BCB) is intentionally not independent. Under the 2009 constitution, the government sets monetary and exchange-rate policy objectives “in coordination with the central bank.” High-ranking officials have indicated that this arrangement will not change in the foreseeable future.

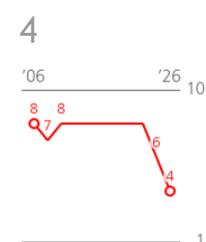
The country’s monetary stability has deteriorated rapidly, a trend that began in 2023 but is rooted in the 2014 collapse of commodity prices. The primary driver of this instability has been the depletion of Bolivia’s gas reserves, which have accounted for half the country’s exports and a significant share of government revenue since 2010. Over the past decade, declining revenues have been offset by drawing on the central bank’s dollar reserves. By April 2023, Bolivia’s international reserves were nearly exhausted, leaving the country dependent on export flows. To meet its financial needs, the government has turned to external borrowing and money printing.

This situation has severely affected Bolivia’s macroeconomic stability, and several indicators have worsened. Although inflation had steadily declined since 2012, reaching a historic low of 0.7% in 2021, 2024 marked a turning point. According to the National Institute of Statistics (INE), Bolivia’s annual inflation rate rose to 9.95% in 2024, the highest level since 2008.

International reserves, a cornerstone of Bolivia’s economic model, have declined since 2015 as trade and current account deficits widened amid falling commodity prices and declining gas and oil production volumes. The COVID-19 pandemic exacerbated the situation. As of July 2024, total reserves stood at only \$1.61 billion, a level that threatened macroeconomic stability, according to BCB data. Liquid reserves – dollars and other foreign currencies – fell to less than \$200 million, insufficient to cover even one month of imports. As a consequence, the government cannot meet essential obligations, such as repaying foreign debt and purchasing diesel, gasoline and medicines.

Bolivia maintains a fixed exchange-rate regime. Since 2008, the BCB has pegged the boliviano (BOB) to the U.S. dollar. Pressure is mounting to adjust this regime. Depreciation of the currencies of key trading partners, such as Argentina and Brazil, has caused Bolivia’s real exchange rate to rise sharply, with the real effective exchange-rate index increasing from 120.1 in 2014 to 151 in 2021.

Monetary stability



With the end of the commodity boom, twin deficits (in the country's current account balance and fiscal budget) reemerged in 2015. Since then, the government has implemented a countercyclical spending strategy, assigning a key role to public investment. This expansionary fiscal policy, which has led to successively larger budget deficits each year, has successfully countered the economic slowdown caused by declining international prices. However, as the twin deficits have continued to expand, this policy has become increasingly unsustainable. In 2023, Bolivia recorded a global budgetary deficit of 10.9% of GDP. Excluding expenditures allocated to subsidies for hydrocarbons and food, the deficit fell to 6.9% of GDP. International reserves continue to fall. Liquid reserves are close to zero, and the country is living on monthly dollar inflows.

As a consequence of these factors, the government continued to rely on borrowing to fund current expenditures. This was stated in the Budget Law (Ley del Presupuesto), which projected expenditures for 2023 and 2024 that far exceeded declining income. Specifically, the fiscal deficit has been financed by loans from the central bank and bonds largely purchased by the country's pension funds (now managed by the public Gestora Publica). According to data from the central bank, internally held debt reached 48% of GDP in 2023. Including external debt, total public debt amounts to more than \$35 billion, representing 84% of GDP, according to the IMF. In 2024, this institution conducted an Article IV consultation in which it emphasized the urgency of implementing fiscal adjustments and an exchange-rate realignment in order to address external imbalances and rebuild international reserves.

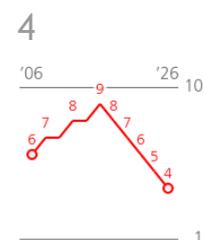
## 9 | Private Property

The 2009 constitution guarantees the right to private property, provided it serves a social function, and requires "prior just compensation" for expropriation. This does not differ significantly from the constitutional status quo ante and aligns with the notion of a social market economy. Nevertheless, guarantees of property rights are not consistently implemented or safeguarded against state intervention. In cases of expropriation under the Morales government, appropriate compensation was not guaranteed by well-defined procedures and transparent criteria, but instead emerged from negotiations.

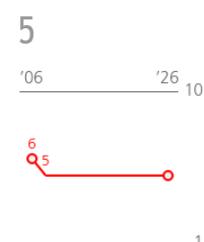
Regarding land tenure, the constitution sets an absolute limit of 5,000 hectares on private property. However, that does not apply to preexisting agrarian properties. Land that does not fulfill its "socioeconomic function" may be confiscated, although this has occurred in only a few individual cases.

Land seizures in rural areas have become a major issue, in contrast to previous periods when efforts focused on preventing or combating them. In the country's valleys and lowlands, armed groups have threatened access to fertile agricultural land. These groups operate under the guise of an Indigenous social movement of landless peasants

### Fiscal stability



### Property rights



from the highlands, formerly known as “colonos.” As a result, the problem has taken on a new dimension with two distinct features: 1) the passivity of the police and the judiciary, and 2) the violence and organization of criminal groups masquerading as landless peasants. According to some press reports, these criminal groups are directly linked to drug-trafficking mafias operating in the country.

In 2023 – 2024, land seizures escalated and became increasingly tied to wildfires, which in recent years have reached unprecedented scale. Irregular groups deliberately set fires to clear vast areas, burning millions of hectares to increase land values. These lands are then legalized for sale through organized networks operating within the executive branch and the judiciary.

Private companies are allowed but face political and bureaucratic constraints. Under the 2009 constitution and MAS rule, private enterprise lost its role as the main driver of economic development, while public companies gained prominence. Privatization is no longer a policy goal, and past privatizations have been partially reversed. However, nationalization – even in the hydrocarbons and minerals sectors – has not resulted in full state control, but rather in new, individually negotiated partnerships between public and private (mainly foreign) firms, with the state assuming greater oversight and involvement.

Since Luis Arce’s election, the operations of private companies in Bolivia have been hindered. As outlined in Arce’s public statements and National Development Plan (PEDES), the state, not the private sector, is regarded as the primary driver of national development. In practice, the most notable effect has been the creation of more than 40 public companies to compete with private companies. This has been accompanied by the “nationalization” of the Enterprise Registry (FUNDEMPRESA), which authorizes the creation of new enterprises. The financial sector has also been heavily affected. Since 2021, a ban on profit distributions has been in effect, and banks, insurers and stockbrokers are required to reinvest them.

Bolivia’s worsening shortage of foreign-exchange reserves has led the government to impose stricter measures on commercial banks. Since early 2023, banks have been required to reduce their reserve holdings, which has in turn constrained bank liquidity. In February 2024, the Financial System Supervision Authority (ASFI) introduced new regulations, including caps on foreign-exchange spread rates and a rule limiting banks to holding no more than 5% of their assets outside Bolivia.

Private enterprise

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## 10 | Welfare Regime

Bolivia's social security system remains fairly limited. Social safety nets are fragmented, and coverage, despite improvements, remains far from universal or equally distributed. Since 2006, the MAS government has relied primarily on cash transfer programs, which are the principal mechanisms for providing (limited) social security and fighting poverty. Currently, two such programs support children enrolled in basic education (Bono Juancito Pinto) and pregnant women and young mothers who need medical care (Bono Juana Azurduy).

In 2008, Bolivia introduced Renta Dignidad, a tax-funded state pension for citizens over 60. In 2010, pension reform replaced private funds with a public entity and lowered the retirement age from 65 to 58. However, the contributory pension system remains stagnant, with just 15% coverage – the lowest such figure in the region – due to the large informal sector and widespread tax evasion. The transition to public management was completed with the nationalization of private pension funds, which are now overseen by the state-owned Gestora. While operations continue smoothly, Gestora made a controversial move in May 2024, pledging \$850 million in illiquid assets in a repo deal and receiving \$250 million in cash. If the repo is not repaid by April 2026, the entire pension fund is at risk.

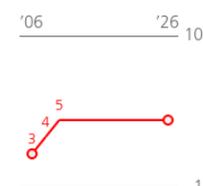
The second classic pillar of social safety nets, the health system, is considered one of the least efficient in Latin America. Bolivia's health system consists of two branches: public and private. The public branch comprises the Ministry of Health and the social security sector (Caja de Salud). According to the 2009 constitution, all people have the right to free public health services. In practice, however, that right is not realized. In 2021, 51% of Bolivia's residents had no health insurance (data from the Ministry of Health). The rate of informal labor, historically high, rose to more than 80% in the post-pandemic period. This means only 20% have a stable monthly income, paid leave, pension contributions or access to the semi-public health system.

Electricity and water tariffs for low-income households are subsidized, and the minimum wage has been raised consistently since 2006. Under the MAS government, total social spending per person has risen notably, as has public investment in essential social services. Public spending on health care grew gradually after 2012 and reached 5.88% of GDP in 2021. Life expectancy at birth has steadily increased, reaching 69.1 years in 2016 and 71.8 years in 2020.

Bolivia is characterized by multiple structural social inequalities. Although formal guarantees of equality of opportunity are in place and recent years have seen improvements, practical implementation is lacking. As of the close of the review period, for the first time in the country's democratic history, women held a majority of seats in the Chamber of Senators, as well as just under half of the seats in the Chamber of Deputies. Overall, the new Congress has nearly equal representation of

Social safety nets

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Equal opportunity

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women and men. In addition, the 2018 Law on Political Organizations requires all political parties and civic associations to submit to a binding “regime of depatriarchalization” for “the promotion of parity and equivalence” (Article 18) and demands that lists of candidates show “parity and alternation.”

In the education sector, the female-to-male enrollment ratio was 1.0 in 2020 at both the primary and secondary levels, according to World Bank data. Women made up 42% of the labor force in 2017, with this figure rising to 44% in 2020 and 45.1% in 2021.

However, Indigenous peoples, especially in rural areas, still have fewer opportunities to access higher education, formal employment and poverty reduction programs than non-Indigenous groups do, although conditions have improved significantly over the past 20 years. Since 1990, especially after 2006, Indigenous representation in public office has increased sharply, and judicial elections have increased the number of female and Indigenous judges.

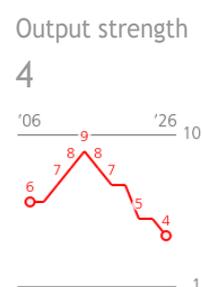
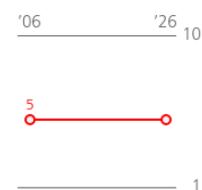
In 2008, UNESCO declared Bolivia to be free of illiteracy following a three-year literacy campaign supported by Venezuela and Cuba. Despite this, gender disparities and cases of illiteracy persist. According to the World Bank, the literacy rate among women reached 93.9% in 2020, narrowing the gap with men, among whom the rate was 97.4%. Enrollment rates have also improved, reaching 98.8% in primary education and 90.2% in secondary education.

## 11 | Economic Performance

Even before the pandemic, Bolivia’s economic performance was in decline, falling from GDP growth rates of 5% to 7% per year (2011 – 2014) to 4.2% in 2018 and 2.2% in 2019. The pandemic’s impact on economic performance was severe in 2020, and the recovery in 2021 and 2022 was below expectations. According to World Bank data, economic growth reached 3.1% in 2023 and was expected to decline to less than 1.5% in 2024. In purchasing-power parity terms, GDP per capita increased from \$9,343 in 2022 to \$10,239 in 2023 and then to \$10,727 in 2024, indicating a growth rate of 2.1% in 2022 and 1.1% in 2023.

Key concerns for the country’s macroeconomic stability include the twin deficits – external and internal imbalances. In 2023, the value of the country’s total exports declined by nearly 10%, barely reaching \$10.91 billion, while the value of imports rose to \$11.495 billion. As a result, the current account deficit widened to \$1.176 billion.

At the same time, persistently high public spending, coupled with a gradual decline in tax revenues and royalties, has kept the fiscal deficit at critical levels, reaching 10.9% in 2023. A significant share of government revenue traditionally comes from gas exports, but these have steadily declined since 2014. Gas exports totaled \$6.1 billion in 2014 and fell to \$2.04 billion in 2023.



Additional economic indicators confirm the decline in economic strength. Gross capital formation, which peaked at 22.2% of GDP in 2017, fell to 16.8% in 2021. Foreign direct investment dropped sharply after 2014, turned negative in 2019 and 2020, and has since rebounded slightly, reaching net inflows of \$293 million in 2023. The hydrocarbon sector has played a significant role in these trends, with periods of both substantial investment and disinvestment.

The unemployment rate rose sharply during the pandemic, then declined to 3.1% in 2023. However, the real unemployment figures are much higher but are difficult to measure accurately because of the economy's high level of informality, calculated at 84.5% in 2023.

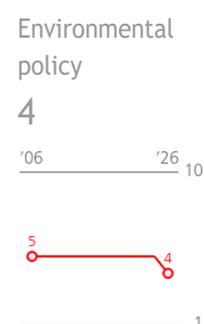
## 12 | Sustainability

Environmental concerns receive little attention at both the macro and micro levels. Within the MAS government, tensions persist between the goals of economic growth and sustainability. While official rhetoric emphasizes environmental protection under the Buen Vivir philosophy, sustainability goals lack an effective institutional framework, and are often subordinated to growth and redistribution priorities. The 2009 constitution, inspired by Indigenous principles, elevated ecological concerns, and the 2012 environmental law granted rights to nature (Madre Tierra). However, national policies continue to prioritize resource extraction over environmental protection.

Deforestation is a major issue, and Bolivia is among the world's worst per capita offenders. Illegal gold mining, especially in the Amazon and protected areas, is spiraling out of control, causing severe social, environmental and health impacts. Armed groups displace Indigenous communities, while unchecked mercury use – deemed “out of control” by the United Nations – has made Bolivia the world's second-largest mercury importer, with illicit exports to Peru and Brazil that have prompted official complaints.

The Arce government further facilitated resource exploitation. A 2022 mining law granted new extraction rights and imposed a 4% government levy. Regarding deforestation, Arce aimed to convert the Amazon region into an agricultural hub and proposed a new waterway to Brazil. The MAS government also promoted agribusiness expansion, allowing controlled burns to clear land. Consequently, large-scale wildfires have devastated the Amazon, destroying 6.4 million hectares in 2023 and 10 million hectares in 2024, marking one of Bolivia's worst environmental crises.

Bolivia's Nationally Determined Contribution (NDC) under the U.N. Climate Framework presents ambitious climate goals yet lacks a national greenhouse gas reduction target. The 2022 NDC introduced measures in the energy and water sectors but fell short in the areas of forests and land management. Bolivia is required to submit an updated NDC by late 2025, with expectations of stronger policies to curb deforestation and climate change.



Public and private institutions for education, training and research exhibit significant deficiencies, particularly with regard to R&D, and remain unevenly distributed. Urban areas benefit the most, while rural districts often lack access to such facilities.

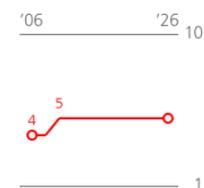
According to World Bank data, public spending on education rose from 2.4% of GDP in the early 1990s to between 6.0% and 7.5% since 2006. It increased from 6.3% in 2013 to 7.3% in 2014, reaching 8.9% in 2018 before declining to 7.6% in 2022. In contrast, R&D investment remains extremely low, at only 0.2% of GDP in 2014, with no significant increases reported in recent years.

Under the Morales government, basic education was prioritized, leading to major gains in literacy and the expansion of primary education. In 2020, the adult literacy rate stood at 93.9%. In addition, three universities were established to promote Indigenous languages (Aymara, Quechua and Guaraní). Despite benefiting from high gas revenues during the economic boom, public universities have seen little improvement in quality.

Bolivia ranked 41st among 134 BTI countries on the U.N. Education Index, with a 2022 score of 0.743. Recent data show a slight decline in primary school enrollment from 99.6% in 2022 to 98.93% in 2023, while secondary enrollment remains stable at 92.4%.

Education policy /  
R&D

5



## Governance

### I. Level of Difficulty

Bolivia faces several structural difficulties. First, the country is landlocked and marked by extreme geographic disparities. It is also frequently affected by natural disasters, especially floods associated with El Niño, severe droughts and water shortages. Second, socioeconomic constraints persist, including poverty and multiple inequalities, insufficient infrastructure, a structurally heterogeneous economy, dependence on foreign markets and primary commodity exports, an extensive informal sector, the peculiar coca economy, and drug production and trafficking. Third, political institutions and administrative structures are chronically weak, and state capacities are limited. Fourth, ethnic fragmentation, a long history of ethnicity-based discrimination and additional cleavages along the lines of local and regional identities generate low levels of trust, frequently inflame conflicts and make it difficult to reach a consensus on questions of national development. On the positive side of the equation, the level of political violence is comparatively low, and the democratic rules of the game are generally accepted, if frequently bypassed.

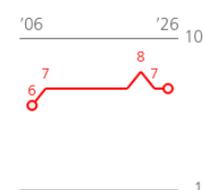
The pandemic severely weakened economic performance, reinforcing structural informality and ties to illegal activities. Job losses have been significant, though the informal sector obscures their full extent. The prevalence of smuggling, drug-trafficking and illegal mining has increased. Meanwhile, Bolivia is experiencing a decline in its gas reserves. A balance-of-payments crisis is unfolding because of falling export revenue, heavy import dependence (especially for liquid fuels), capital outflows and dwindling external financing.

In this context, the country's governance capacity is severely constrained. The lack of short-term alternatives to replace gas revenues leads to a troubling outlook, raising serious questions about Bolivia's future governability.

Bolivian society is characterized by an exceptionally broad and active array of civic associations. Civil society organizations of all kinds have a long-standing tradition, and levels of public and civic engagement are remarkably high. However, civil society is fragmented and openly polarized along communal, regional, sectoral, ethnic and politico-ideological lines. Social trust is weak. Generally, societal organizations are characterized less by a civic culture of participation in public life, let alone national life, than by a culture of mobilization and negotiation, mostly at the local, regional or sectoral levels. While the relatively high level of cooperation and

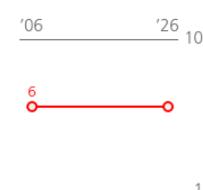
Structural  
constraints

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Civil society  
traditions

6



mutual support for self-help purposes demonstrates substantial social capital, the fragmentation of solidarity and the presence of rivalries and conflicts between societal organizations suggest that social capital in Bolivia tends to be primarily bonding and in-group-oriented rather than bridging and integrating different groups.

Since 2000, the rise of Indigenous and social movements, as well as the MAS, has deepened long-standing social divides, splitting society and political elites into two opposing camps with distinct regional, ethnic and class identities. These factions represent competing visions of development and democracy.

Polarization peaked during the 2008 autonomy protests and again in 2019; in both episodes, mass protests and violent clashes pushed Bolivia to the brink of civil war. However, as in 2008, the 2019 crisis was ultimately resolved through negotiations and democratic elections in 2020. Still, polarization remains severe and has been further intensified by ongoing conflicts between the central government and Santa Cruz since 2021. Despite this divide, both the MAS and opposition groups are highly fragmented, with protest movements holding significant political influence.

Since 2023, divisions within MAS have led to violent confrontations between its factions during protests and political summits. If left unresolved, these tensions could escalate, particularly in the Chapare region.

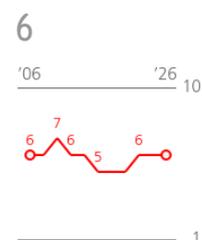
## II. Governance Performance

### 14 | Steering Capability

In 2020, the MAS returned to power, following the strategic priorities set by the Morales government and laid down in the Economic and Social Development Plan (2021 – 2025). These include two main long-term policy goals: 1) transformation of the country's economic structure, particularly by fostering value-added activities (industrialization); and 2) improvement of the well-being of the poorest and most vulnerable sectors of the population (redistribution and poverty reduction). In addition, two short-term objectives seek to address the socioeconomic consequences of the COVID-19 pandemic: 1) reactivation of the economy and 2) mitigation of the social impact of the pandemic.

During the review period, internal conflicts within MAS (Movimiento al Socialismo) escalated dramatically, reaching unprecedented levels in 2023 and 2024. The rivalry between President Luis Arce and Evo Morales dominated media coverage and government strategy. Within the government, Arce prioritizes economic growth and redistribution, while Vice President David Choquehuanca promotes the Indigenous concept of “Buen Vivir.” Despite claims of a clear division between government and party leadership, these internal divisions have stalled policy priorities.

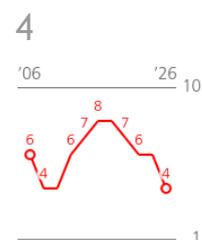
#### Conflict intensity



#### Question

Score

#### Prioritization



To weaken Morales' influence, the government took legal action that ultimately stripped him of control of the MAS. The Electoral Tribunal and the Constitutional Court recognized a new party leader, effectively sidelining Morales. In response, he organized a national blockade, which lost momentum over time. In 2024, authorities escalated efforts to remove him from politics entirely by opening an investigation into pedophilia-related charges and issuing an arrest warrant. However, Morales evaded capture, and his core supporters – coca-leaf producers in Chapare – threatened armed resistance if police attempted to enter the region.

Amid this political turmoil, the government remained focused on Morales' fate despite severe economic challenges, including fuel shortages caused by the dollar crisis. Arce offered no fiscal policy solutions. In August 2024, he proposed a referendum on hydrocarbon subsidies but failed to implement it, drawing criticism from economists who argued that such decisions should be made by the government, not the public. Throughout 2023 – 2024, securing new external financing was a top priority for Arce and his allies in Congress. However, the opposition argued that these loans were being misused, with public funds allegedly diverted to cover fuel imports rather than being applied to their intended purposes.

Weak institutions, limited administrative capacity and political instability continue to hinder governance in Bolivia. However, during the review period, the primary obstacle became the internal conflict within MAS. Officials appointed by President Luis Arce and Vice President David Choquehuanca faced mounting attacks from Evo Morales' faction, which accused senior government figures, including the interior minister, of corruption and drug-trafficking.

This power struggle paralyzed the legislature, with MAS lawmakers divided on key votes such as the national census and state budget laws. Meanwhile, ongoing social unrest, driven by rival social movements and labor groups, further restricted policy implementation.

In 2023 – 2024, political polarization and MAS infighting consumed the administration's focus, sidelining public policy priorities. Arce largely continued Morales' economic approach – having served as his minister of economy – but plummeting government revenues and dwindling foreign reserves have created a crisis. The government's reliance on extractive industries also contradicts its commitments to Indigenous rights and environmental protection, making its economic strategy increasingly difficult to implement.

Implementation

4

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Institutionalized policy learning in Bolivia is weak, with innovation emerging mostly through trial and error. The Arce administration follows the Morales government's approach – initially taking maximalist, polarizing positions before seeking compromise. This pattern is evident in its response to protests from traditional MAS supporters, such as El Alto's neighborhood associations and miners' unions. The economic slowdown has heightened pressure from social movements and illegal economic actors. While the government remains firm against demands from businessmen and regional elites, it has adopted a more flexible and pragmatic stance toward social groups.

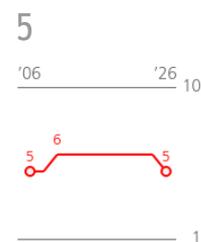
Policy decisions often suffer from inconsistencies. Over the past few years, Arce's administration shifted somewhat away from its radical statist approach because of a shortage of dollars, adopting several liberal economic measures. These policies were implemented haphazardly, limiting their overall impact. For example, fuel shortages and the government's inability to resolve them led to a decision to allow private actors to import fuel directly. But by the close of the review period, extensive bureaucratic requirements had thus far prevented any such imports. A similar situation has applied to green finance and crypto assets. After 18 years of prohibition, several public institutions introduced regulations permitting their use. Yet these new policies remain insufficient, and as of the time of writing, no significant changes had been observed in practice.

## 15 | Resource Efficiency

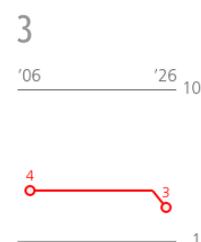
The political and social crisis following the 2019 elections, along with two power transitions, has severely affected governance. The public administration remains overstaffed, inefficient and plagued by corruption and clientelism. High turnover and politically influenced recruitment further weaken its effectiveness, while administrative reform remains a low priority. Financial and organizational resources are scarce. Since the 2015 commodity bust, high levels of public spending have led to rising fiscal and external deficits, despite a recent increase in commodity prices. Declining production of natural gas, which once accounted for half of Bolivia's exports, has worsened the situation. Public debt reached a level of 80% of GDP in 2021, raising concerns about the long-term viability of the MAS development model, which relies on public investment.

Oversight of public spending remains weak because MAS's control of auditing institutions has limited accountability. In 2020, MAS legislators changed internal rules to allow most laws to pass with a simple majority, undermining legislative independence. Opposition lawmakers have faced restricted access to information while ministers have ignored censure motions, further eroding transparency and oversight.

### Policy learning



### Efficient use of assets



The government’s lack of a two-thirds majority in the National Assembly – a consequence of the internal conflict within MAS – has exacerbated the inefficiency of resource use. Despite legal requirements, the national budgets for 2023 and 2024 were implemented without formal legislative approval. After multiple failed attempts to pass the budgets in both chambers of Congress, the government opted to adopt them unilaterally, bypassing standard legislative procedures. As a result, changes to the budgets during the year have also been made without approval.

Moreover, with state revenues declining sharply, the government has sought to offset the shortfall by taking on external debt, formally justified as “development cooperation.”

In addition, the government has relied on increased borrowing from the central bank and the pension fund. As a result, the National Assembly has become the epicenter of Bolivia’s political conflict. The opposition, including Evo Morales’ faction within MAS, has made it clear it will not approve any further loans unless the government supports judicial elections, which, under Bolivian law, require congressional approval. A major concern is the lack of transparency because the government has provided limited public information on how the borrowed funds are allocated.

Only after a public denunciation by the opposition did the pension fund acknowledge carrying out a repo operation using all of its remaining international assets. The most alarming aspect of this transaction is that the funds in question were private – belonging to workers – yet were effectively expropriated by the government. As for the central bank, critical data on monetary issuance was withheld despite concerns that it is printing money to finance massive loans to the government. The lack of public disclosure further deepens uncertainty about the true scale of government borrowing and its long-term economic consequences.

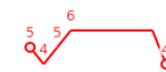
The Arce government struggled to reconcile conflicting objectives as factions within MAS pursued divergent and often contradictory interests. A key challenge has been the enduring influence of Evo Morales, who continues to shape the party. Institutional coordination remains weak, contributing to mismanagement in sectors like water supply, health care and the penal code. Previously, the MAS relied on informal negotiations to manage conflicts, but Arce faced two obstacles: reduced resources due to the effects of the COVID-19 pandemic, and the absence of Morales’ unifying leadership and negotiation skills.

The internal struggle within the MAS severely hampered the government’s capacity and coordination mechanisms during the review period. Accordingly, the Arce government was forced throughout its mandate to accede to societal demands – for instance, by granting permission to deforest nationally protected areas and accepting a government revenue share of nearly zero in gold-mining operations.

Policy  
coordination

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This situation has steadily worsened. To eliminate Morales' political influence by blocking his participation in future elections, Arce's government sought to co-opt social movements previously loyal to Morales. As part of this strategy, key branches of the executive were handed over to these groups, which then managed them as rent-seeking institutions, leading to high-profile corruption scandals. In practice, the executive branch has become a battleground where rent-seeking factions compete for state resources, prioritizing narrow interests over governance.

Corruption is pervasive at all levels of society and has remained largely unchanged during the review period. Bolivia lacks an independent anti-corruption agency. However, the Ministry of Justice and Transparency and the Prosecutor's Office both have mandates to prevent and combat corruption.

Attempts to address the lack of transparency and patronage structures behind corruption scandals are common in Bolivia, but they are generally ineffective. Audits of state spending remain inefficient. One of President Arce's main policies aimed at fighting corruption was the failed relaunch of justice system reform.

The Bolivian justice system has been plagued by corruption, delays and political interference for years. However, the reform undertaken during Evo Morales' administration that resulted in the popular election of judges significantly undermined judicial independence because of the MAS's legislative dominance and its influence on candidate selection.

Auditing of state spending is meant to be conducted by the state comptroller and the Legislative Assembly. However, the MAS's control over both entities has restricted effective oversight and regulation. Gaining access to information has often been challenging for citizens and the media. Regarding party financing, the MAS terminated state funding several years ago, and there are no mechanisms in place to audit the accounts or sources of political parties' funding. Despite previous high-profile open-government endeavors, access to public information remains restricted. Regulations exist for public procurement, but implementation lacks transparency. While the split of the MAS placed the Arce administration under increasing parliamentary scrutiny, the administration opted to ignore legislative requests for information.

Anti-corruption  
policy

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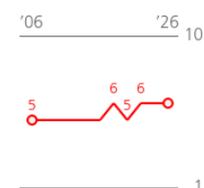
## 16 | Consensus-Building

Paradoxically, the increase in political polarization over the past couple of years has been accompanied by a relative decline in actual contestation of the overall shape of Bolivian democracy. At the time of the 2009 constitutional referendum, the current constitution was heavily contested by the opposition. However, it is now broadly accepted by all relevant political actors as a legitimate framework. This basic agreement does not mean that political actors always respect or act in accordance with the constitution in practice. Yet such non-compliance mostly reflects opportunistic behavior rather than normative disagreement with the conception of democracy as enshrined in the constitution. In fact, since the 2016 referendum – and most notably during the 2019 post-election protests – the opposition to the MAS has been invoking “the popular will,” while the “popular-plebiscitary” MAS has emphasized the relative autonomy of institutions and procedures. The existence of a general consensus when it comes to the core of representative democracy was further confirmed by the political agreement between the Añez government and the MAS-controlled parliament in November 2019, which paved the way for new elections in a highly polarized context. However, the specific nature of democracy in Bolivia remains heavily contested. Key subjects of disagreement include the proper relationship among plebiscitary elements and representative institutions; the degree to which it is necessary to strengthen the rule of law; the relative importance of different kinds and “generations” of human rights; the scope and role of Indigenous empowerment, self-governance and justice; and the appropriate models for decentralization and autonomy.

A similar observation can be made regarding the conception of the market economy. In contrast to the early years of the Morales government, which were characterized by fierce disputes over “nationalization,” private property rights and agrarian reform, no such fundamental controversies characterize the current political debate. In fact, the economic programs of President Arce and his right-wing opponent, Camacho, both broadly represent versions of a market economy: While Arce advocates a socially inclusive and plural economy in which the public sector, the private sector and a sphere of communitarian economic activities coexist, with the public sector granted a leading role, Camacho represents a decidedly market-centered, or neoliberal, agenda. In general, current controversies largely concern economic policy in the context of an acute foreign-exchange crisis. Furthermore, the debate between the advocates of a resource-based development model and the critics of “extractivism,” while present, does not have the importance in contemporary Bolivia that it has in other countries in the region (e.g., in Ecuador). Ahead of the 2025 election, voices on the political right are calling for a complete overhaul of the economic model to adopt a libertarian agenda similar to what Milei is implementing in Argentina. Yet these proposals have not gained enough traction with the public. Centrist and right-wing voices call for less state intervention and greater private

Consensus on goals

6



sector participation. In the case of the lithium sector, for example, they call for allowing private participation. Lithium is seen as a new natural resource that could benefit Bolivia economically.

There are no significant nationwide anti-democratic veto powers. However, in July 2024, a group of armed forces members, led by the army's general commander, Juan José Zúñiga, stormed the presidential palace and attempted a coup. After a bizarre exchange of words with President Arce and members of his cabinet, the revolt quickly dissolved. Both the opposition and the Evista wing of the MAS characterized the episode as having been staged by Arce to regain legitimacy amid extremely low approval levels.

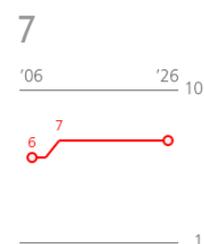
Other potential veto players under the Arce government include the regional autonomy movements in the eastern lowlands, particularly in Santa Cruz, and the coca growers of the Chapare region, who are the main supporters of former President Morales. The former, though persistently active – including during several strikes between 2022 and 2024 – are led by the most moderate forces committed to liberal-democratic values. As for the latter, their successful mobilization in September 2024, which led to the expulsion of the armed forces and police from the region, serves as a warning. Internal divisions in the MAS and Morales' demand to take part in the 2025 election with or without the MAS will determine whether this group radicalizes to the point of becoming an active anti-democratic veto player.

The potential for this type of radicalization exists on the fringes of the aforementioned groups and becomes apparent at critical junctures. Finally, anti-democratic actors can also be found in various groups involved in drug-trafficking and organized crime. These groups clearly escape state control and influence state institutions and policies, but do not present themselves as political veto actors.

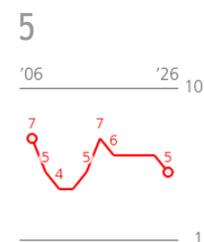
Bolivia is deeply divided along social, cultural and ethnic, and regional lines. After taking power in 2006, the Morales government broadened its support, even gaining backing from the urban middle class. However, polarization intensified in the 2016 – 2019 period. The urban middle class, especially the youth, mobilized against Morales, while MAS support became concentrated among the rural Indigenous population and informal urban sectors in the western highlands. By the 2021 subnational elections, MAS had also lost support in key Indigenous and popular sectors, including El Alto, rural communities and major cities. As a result, the pro- vs. anti-MAS divide has not strictly aligned with ethnic or regional cleavages.

Following the October 2020 elections, President Arce and his team indicated their interest in depolarizing Bolivian society and politics. However, the incarceration of Camacho, the elected governor of Santa Cruz, on charges of terrorism and participation in a coup, suggested a different trajectory. This followed the conviction, in an ordinary trial, of former interim president Áñez, as well as the prosecution of former government officials and heads of the armed forces.

Anti-democratic actors



Cleavage / conflict management



Paradoxically, the internal divisions within the MAS seem to reduce the hitherto partial overlap between structural and political cleavages. For example, the Arce administration launched a prosecution of Morales, who was accused of having had sexual relationships with underage women. Morales rejected these accusations, denouncing them as a lawfare campaign conducted by Arce to eliminate him politically.

The Arce administration relied more substantially than its predecessors on routine consultations with social movements and organizations of all kinds. It attempted to engage popular sectors closer to the executive, but tensions persisted with sectors formally aligned with Morales. Generally speaking, however, the years under MAS rule have been characterized by the regular participation of civil society organizations in agenda-setting, policy formulation, deliberation, decision-making and policy implementation at the national level.

In 1994, during the Gonzalo Sánchez de Lozada administration, the Popular Participation Law was enacted, opening mechanisms for civil society participation such as participatory budgeting and oversight. During the Morales years, civil society participated through three main channels: via the MAS party, which served as an umbrella for social movements; through direct representation in government or parliament; and through informal negotiations or summits. The 2009 constitution grants “organized civil society” a key role in policymaking, but despite a 2013 participation law, involvement has remained largely informal.

Influence has depended more on ties to the MAS or on the ability to mobilize resistance than on formal procedures. This also applies to Indigenous peoples’ right to prior consultation, which, despite constitutional recognition, is often ignored or narrowly interpreted, especially in extractive industries.

The current divisions within the MAS mean that key civil society organizations – the party’s backbone – are also divided, mirroring the party’s leadership conflict. The economic crisis compelled the Arce administration to consult with the business community, particularly the agro-industrial sector in Santa Cruz, in order to coordinate emergency actions ahead of the 2024 summer sowing season.

In December 2016, parliament established a Truth Commission to clarify information about crimes committed during the military dictatorships of 1964 – 1982, including particularly severe human rights violations by the government of Luis García Meza (1980 – 1981). The commission sought to obtain and declassify official documents from the military, the police and other authorities to facilitate the reconstruction of events. In late 2019, the commission handed over more than 6,000 files containing historical documents and victims’ testimonies to the Library of Parliament. In March 2020, it submitted its final report to the Defensoría del Pueblo. The commission’s overall aim, however, was not to achieve reconciliation between the victims and the perpetrators of past injustices, but rather to establish the truth and end impunity.

Public  
consultation



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Reconciliation



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Current political debates center on how to address the violent incidents, including human rights violations, that occurred during the October – November 2019 political crisis. In particular, victims of the violent repression in Sacaba (Cochabamba) and Senkata (El Alto) are demanding justice. In December 2019, the Áñez government agreed with the IACHR to establish an Interdisciplinary Group of Independent Experts (GIEI) to investigate acts of violence and human rights violations that occurred between September and December 2019. In November 2021, the GIEI concluded its investigation. Among its most significant findings, it identified the judiciary’s lack of independence, transparency and objectivity, as well as the use of the criminal system to prosecute political opponents, as the main obstacles to achieving reconciliation. Since then, developments have shown that the situation has deteriorated rather than improved.

## 17 | International Cooperation

In the past, the MAS government focused heavily on its own development agenda and was less inclined than previous governments to accept international expertise and external advice. This emphasis on noninterference was enabled by the country’s reduced dependence on international aid after the early 2000s, thanks to the international commodity boom and the restructuring of the country’s hydrocarbons sector, which significantly increased state revenue from gas exploitation. Since 2014, falling prices for Bolivia’s key export goods have gradually shifted that emphasis, leading the Morales government to take on new international loans – in particular from the Development Bank of Latin America and the Caribbean (formerly Andean Development Corporation, CAF), the Inter-American Development Bank (IDB), the World Bank and China.

In response to the COVID-19 pandemic, the interim Áñez government secured loan commitments from the IMF, the CAF and the World Bank. However, a parliamentary veto prevented the use of these funds, ultimately requiring the use of domestic funding for the economic and social policy measures.

The post-pandemic economic slowdown has further increased the need for international support. Upon assuming office, President Arce enacted a law passed in August 2020 by the National Legislative Assembly that established an additional cash transfer for vulnerable populations (Bono Contra el Hambre), financed by loans from the Inter-American Development Bank (IDB) and the World Bank. However, the government returned \$300 million in special drawing rights (SDRs) to the IMF, incurring a \$24 million penalty for early repayment.

However, as international revenues plummeted, Bolivia faced severe economic imbalances and shortages. To address this crisis, Arce sharply shifted his approach, actively seeking international development cooperation to secure much-needed dollars. This marked a sharp change in the role of international cooperation, which became a direct source of government financing. The only restriction Arce maintained was to avoid funding from the International Monetary Fund (IMF).

Effective use of support

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Instead, the government turned to multilateral organizations, including the World Bank (WB), the Inter-American Development Bank (IDB), the Development Bank of Latin America and the Caribbean (CAF) and the FONPLATA development bank, requesting loans formally designated for specific development projects. Yet in practice, all incoming dollar reserves have been used to finance fuel imports, particularly gasoline and diesel.

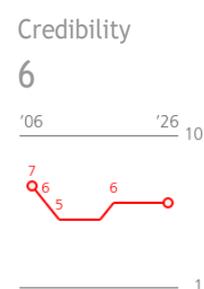
The urgency of securing international loans made the issue a top priority for Arce's administration and its congressional allies. High-ranking officials frequently referred to these loans in public speeches, arguing that they were essential for the country's development projects. They accused the opposition of being "antipatriotic" for using its leverage in Congress to condition loan approvals on progress in electing judges. In response to these opposition efforts, the government attempted in 2024 to pressure multilateral organizations to disburse funds in the absence of congressional approval, but these organizations rejected the request on legal grounds.

Despite these efforts, Bolivia's foreign currency needs are estimated to be nearly three times what Western multilateral organizations can provide. Facing a worsening liquidity crisis, President Arce turned to Russia for assistance. In 2024, he traveled to Moscow twice, officially stating that the objective was to "deepen cooperation." According to a Russian deputy minister, this cooperation would begin with the shipment of hydrocarbons to Bolivia by sea, marking the first step in a broader financial and trade partnership between the two countries. Still, it is worrisome that there is a complete lack of public information about Bolivia's responsibilities in this two-way partnership. Russian cooperation is occurring in a black box.

Bolivia is an active, reliable participant in international organizations at the regional and global levels. It has joined and ratified most existing international agreements and generally complies with international norms. Under the Morales administration, Bolivia consistently emphasized international law and multilateral institutions. In international cooperation, Bolivia focuses on strengthening ties within the region as well as with other countries in the Global South.

The Arce government continued policies from the Morales administration, including adherence to the 2009 constitution and the principle of self-determination, which involved questioning or revoking international commitments deemed inconsistent with domestic norms. For example, the Morales government explicitly rejected international investment dispute settlement, resulting in the abrogation of several bilateral investment treaties. Bolivia also temporarily withdrew from the Single Convention on Narcotic Drugs, later reentering the convention with a reservation.

Regarding human rights, the Morales government criticized the Inter-American Commission on Human Rights (IACHR) and called for reforms within the commission. Arce's government adopted a defensive stance in response to international scrutiny. It frequently accused foreign governments (particularly the



United States), international organizations, international non-governmental organizations and domestically funded NGOs of attempting to destabilize the country.

Bolivia does not have a career diplomatic service, a problem that was accentuated in 2021 when the minister of foreign affairs dismissed more than 90% of the ministry's staff on the grounds of having a "snub nose," a term often used to imply elitism.

Within the United Nations system, Bolivia has increasingly aligned with countries such as Russia, Venezuela, Cuba and Nicaragua that hold comparatively radical positions. The Arce government continued Morales' foreign policy of maintaining close ties with autocratic regimes, including support for Nicolás Maduro's government in Venezuela. Similarly, Bolivia abstained from voting on United Nations resolutions regarding Russia's war in Ukraine, aligning itself with countries that have refrained from holding Russia accountable.

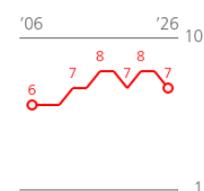
Under President Morales, Bolivia's political leadership cooperated with its counterparts in all neighboring states, sought to intensify cooperation within Latin America and engaged in all regional integration processes. Bolivia continued its membership in the Andean Community, the Organization of American States (OAS) and other regional integration bodies such as the Latin American Integration Association (ALADI) and the Latin American and Caribbean Economic System (SELA). Additionally, Bolivia joined new organizations, including the Union of South American Nations (UNASUR), the Community of Latin American and Caribbean States (CELAC) and the Bolivarian Alliance for the Peoples of Our America (ALBA). In 2015, Bolivia became a full member of Mercosur. While Uruguay, Argentina and Paraguay support Bolivia's membership, final ratification remained pending as the review period closed and the proposal was held up in the Brazilian Congress.

Bolivia enjoys mostly cooperative and friendly relations with its neighbors, although polarization between right- and left-wing governments in the region has generally undermined intraregional cooperation, most notably in the context of UNASUR. In this vein, under the more pragmatic Arce government, cooperation with Argentina improved considerably, leading to the signing of the General Agreement on Cooperation, Integration and Brotherhood.

Nonetheless, Arce maintained Morales's foreign policy centered on anti-imperialism, the main pillar of his administration's international stance. This ideological approach has led Bolivia to strengthen ties with autocratic countries such as Cuba, Venezuela and Nicaragua. These nations, as a regional bloc, also maintain close relations with non-Western powers that share similar ideological orientations, including Russia and Iran. Arce's alignment with these nations went beyond rhetoric, as Bolivia actively supported them in international organizations through diplomatic votes and endorsements. In a highly controversial move, Arce and Choquehuanca publicly congratulated Vladimir Putin and Nicolás Maduro one year after their respective elections for their overwhelming victories.

#### Regional cooperation

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Arce also pursued a strategic approach, avoiding direct confrontation with Latin American governments led by liberal or right-wing presidents. A notable example was with Argentina's President Javier Milei, who has taken an openly confrontational stance toward Bolivia. Even so, the Bolivian government has chosen a measured response, seeking to maintain stable diplomatic relations rather than escalate tensions.

Bilateral relations with Chile have long been strained because Bolivia continues to demand "sovereign access" to the Pacific, which it lost in the War of the Pacific in the late 19th century. Diplomatic relations were severed in 1978 and have not been restored. Under the Morales government, Bolivia once again brought its cause to the International Court of Justice (ICJ) in The Hague, claiming that Chile was obligated to enter negotiations on the matter. In October 2018, however, the ICJ rejected Bolivia's demand. President Arce was more pragmatic and inclined toward dialogue, which the Chilean government welcomed, although no new negotiations on this issue were initiated during the review period. The second rejection by the ICJ in the dispute over the status and use of the Silala River did not alter Arce's rapprochement policies toward Chile.

## Strategic Outlook

Following the contested 2019 elections, the 2020 election of Luis Arce and the 2021 subnational elections marked the end of Bolivia's democratic crisis. However, deep political and social polarization persists, posing risks of instability and conflict. Tensions between the Arce administration and the Santa Cruz regional government led to the imprisonment of opposition leader Luis Fernando Camacho. At the same time, internal divisions within the ruling MAS party have weakened Arce's position, with a power struggle between his faction and Morales' loyalists leaving his government vulnerable in parliament.

Bolivia currently faces three main challenges: first, political polarization both between the MAS and the opposition and within the MAS itself; second, the need to establish checks and balances in Bolivia's institutional system, particularly regarding judicial independence; and third, the need for urgent measures to address the economic crisis.

For the MAS, the key is to regain its capacity to act and strengthen its position vis-à-vis the opposition by overcoming its internal division.

In the realm of institutional reform, the judiciary must be restored to functionality by replacing the so-called extended, or "prorrogados," judges. Efforts must also be made to combat corruption and strengthen judicial independence. The urgency of judicial reform goes beyond institutional concerns; it is essential for resolving sociopolitical conflicts through legal and peaceful means.

Bolivia's biggest problem, however, is the economic crisis. The government needs to address the issues of its dwindling financial reserves and rapidly growing public debt amid the depletion of natural gas reserves, on which the entire Bolivian economy heavily depends. Another urgent matter is guaranteeing fuel supplies, which could be achieved by allowing private companies to import fuel. If fuel shortages persist, the food production sector may suffer serious consequences, in addition to other negative effects, including an inability to transport food to the population. In the long term, the challenge will be not only to restore resource-based economic growth, but also to facilitate structural transformation toward a non-extractive economy.

As the 2025 elections approached, Bolivia was a state of uncertainty, with economic and governance challenges worsening even as the political class was mired in power struggles rather than addressing the country's most pressing issues. Whichever party wins the August 2025 elections will inherit a country in urgent need of deep structural reforms, many of which will be economically and politically challenging to implement. The severity of Bolivia's fiscal, monetary and governance crises requires decisive policy changes that, while essential for long-term stability, are likely to entail significant short-term costs.