

BTI 2016 | Bolivia Country Report

	scale	score	rank	trend
Status Index	1-10	6.58	# 37 of 129	
Political Transformation	1-10	7.30	# 30 of 129	➔
Economic Transformation	1-10	5.86	# 57 of 129	➔
Management Index	1-10	5.63	# 43 of 129	

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	10.6	HDI	0.667	GDP p.c., PPP \$	6624.1
Pop. growth ¹	% p.a.	1.5	HDI rank of 187	113	Gini Index	48.1
Life expectancy	years	67.2	UN Education Index	0.674	Poverty ³	% 13.4
Urban population	%	68.1	Gender inequality ²	0.472	Aid per capita \$	67.2

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

Following years characterized by profound transformations, the period under review (2013 to 2014) has been largely characterized by continuity. In October 2014, President Evo Morales – in office since 2006 – was re-elected for a third term with more than 60% of the vote. In parliament, the governing Movimiento al Socialismo (MAS) party maintained its two-thirds majority. These results confirm that Morales and the MAS are still supported by a broad majority of the Bolivian population, particularly by the so-called popular sectors, which include the diverse indigenous majority. Until now, the alienation of part of the country's indigenous people, which came to a head in the 2011 protests against the plan to build a road through the Isiboro-Sécure Indigenous Territory and National Park (TIPNIS), has not significantly weakened electoral support for the government. Even more remarkably, Morales and the MAS also won in all but one of the lowland departments, including in Santa Cruz. These used to be strongholds of the opposition and home to powerful regional autonomy movements. This reflects, in part, the rapprochement between the government and the (agri-) business sectors (in Santa Cruz, in particular) that has further consolidated in the period under study.

The undisputed political dominance of the MAS government notwithstanding, recent years have been characterized by a myriad of single-issue, labor and local conflicts involving mineworkers, trade unions, the military and police as well as local communities and regional movements. Given the continued weakness of the opposition from center-right parties and regional autonomy movements, challenges to the government and its political agenda have come mainly from conflicts with and between social and indigenous organizations that traditionally supported Morales and the MAS. Such conflicts have, at times, involved violent incidences, but up to now, the government has managed to prevent the emergence of a broader opposition movement that would unite leftist, indigenous and environmental critics.

At the same time, economic development has been smooth, with the economy continuing to grow significantly and social indicators (poverty, inequality) improving further, if gradually. The Bolivian government has carried on implementing what is essentially a project of neo-developmental modernization that combines a focus on state-led, socially inclusive development, characterized by high levels of public investment and an active social policy, with countercyclical macroeconomic policies. Its performance in terms of economic and social development remains one of the primary factors explaining the remarkably high and stable popular support. Yet, both the economy and the government's social and economic policies continue to depend on the extraction/production and export of a few primary goods (mainly gas, but also minerals and agricultural goods). Governmental efforts at promoting industrialization mainly aim at further processing these primary goods.

History and Characteristics of Transformation

Bolivia is one of Latin America's poorest countries, although it is one of the richest in mineral resources and soil conducive to productive agriculture. The disparities between its geographically, ethnically and economically heterogeneous regions are enormous, and have often led to strife and conflict. Of increasing political relevance in recent times has been the regional cleavage between the highlands, where the country's de facto or administrative capital La Paz sits, and the southeastern lowlands (the Media Luna), where successful agribusinesses and the gas fields are located. Until recently, Bolivia was one of the most unequal countries in Latin America. The indigenous majority of the population has been particularly affected by a historical legacy of continuous discrimination. The 2009 constitution recognizes a total of 36 indigenous peoples, the largest being the Quechua (approximately 30% of the population) and the Aymara (approximately 25%).

The 1952 revolution brought agrarian reform, the nationalization of the large mining companies, universal suffrage without literacy requirements and a wide range of social policy legislation to the country. Between 1964 and 1982, civilian and military governments alternated in power. After 1982, a short and negotiated transition to democracy led to a relatively long period of uninterrupted democratic institutional stability that lasted from 1985 until President Sánchez de Lozada's forced resignation in October 2003. This period was characterized by the dominance of three political parties that governed in changing coalitions ("pacted democracy"). These coalition governments implemented a series of market reforms that involved the usual neoliberal package of liberalization, deregulation and privatization. In the 1990s, additional political reforms deepened decentralization and introduced popular participation at the local level.

Though a significant achievement in terms of democratic stability and societal peace, this "pacted democracy" had an exclusionary bias. Most of Bolivia's poor and indigenous people felt excluded and marginalized. The grievances associated with neoliberal reforms added to this. During the 1990s, indigenous and social movements increasingly challenged the system of agreements

between elites. Between 2000 and 2005, a series of political crises erupted, characterized by massive social protests that forced both elected President Sánchez de Lozada (in 2003) and his successor Carlos Mesa (in 2005) from office. In the course of this period, the union leader and coca grower Evo Morales established himself as the leading representative of the diverse protest movements. In December 2005, Morales was elected president, becoming the country's first head of state of indigenous origin. Since then, Morales has led a process of decisive political change that has included a profound reshaping of the country's political system through constitutional reform as well as a change of course in economic, social and coca/drug policies. In 2006 and 2007, an elected Constituent Assembly wrote a new constitution, and after a revision of the constitutional draft by Congress in 2008, a broad majority (61%) adopted the new constitution in a referendum on 25 January 2009. In terms of economic and social policies, the Morales government has significantly increased the role of the state in the economy. In the course of the "nationalization of gas," international gas companies were forced into new contractual relationships, the control of the state (and the state company Yacimientos Petrolíferos Fiscales Bolivianos, or YPF) in the hydrocarbon sector was strengthened, and taxes on gas companies were increased. Based on rising revenues from hydrocarbon and mineral resources, social spending and public investment was expanded. Regarding drug/coca policies, the Morales government abandoned the United States-driven emphasis on coerced coca eradication. On the one hand, this change included recognition of the coca leaf's traditional role in indigenous cultures, an increase in the level of legal coca production and trade, and a push for coca's international legalization. On the other hand, the government has tried to limit the volume of coca production via community-led forms of social control, while continuing counternarcotics efforts aimed at drug trafficking. Within Bolivia, these changes have been heavily contested. Given a weak and fragmented opposition at the national level, the resistance against Morales has come primarily from regional autonomy movements based in the eastern lowland departments of the Media Luna and led by elected governors and "civic committees." Recent years, however, have seen an increase in conflicts within the broader group of civil society organizations that previously supported Morales and the MAS.

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

In Bolivia, there is no open challenge to the state's monopoly on the use of force. For the time being, regional autonomy movements no longer openly compete with the central state in this regard. However, the state's actual presence is not equally strong throughout all parts of the country. Some marginal regions are home to local parallel power structures dominated by landowners, narcotics traffickers or ethnic community organizations that, however, normally do not openly compete with the state. Police strikes and other expressions of strained relations between the state and security or military forces may temporarily pose a challenge to the state's capacity to exercise its monopoly on the use of force, but do not fundamentally undermine it.

While the official concept of Bolivia as a "plurinational state" is still not supported by all, it is no longer actively contested by any major group. The Bolivian state is, in any case, generally accepted as legitimate by all relevant actors in society. There is no disagreement within Bolivia as to who qualifies as a citizen. Since 1952, all citizens have had the same rights, though many were de facto prevented from asserting them for many years. Since the first election of President Morales in late 2005 and with the new constitution adopted in 2009, the factual limits to citizenship of groups traditionally subject to discrimination (the indigenous majority, in particular, but also the afrobolivian minority) have been clearly reduced, although de facto discrimination persists.

Church and state are separated, and religious dogmas have no noteworthy influence on politics or law. The 2009 constitution has eliminated the special status formerly granted to the Catholic Church. Under the Morales government, tensions between the state and the Catholic Church have increased, with the church bolstering its role as a religion-based interest group.

Question
Score

Monopoly on the
use of force
8

State identity
9

No interference of
religious dogmas
10

There are functioning administrative structures in Bolivia. Although the state's physical infrastructure extends throughout the country, its practical administrative reach is not complete. According to World Bank development data for 2012, 88% of the Bolivian population has access to improved water sources, but only 46% has access to improved sanitation facilities. Overall infrastructure (roads etc.) is relatively poor, but the current government has significantly increased public investment in infrastructure. Limited resources and a lack of professionalism coupled with politicization and corruption restrict country-wide application of jurisdiction/access to the judicial system and the provision of law enforcement. Indigenous (community) justice systems (officially recognized by the 2009 constitution with status equal to ordinary law) provide judicial functions, but also lead to tensions and conflicts with state law.

Basic
administration

7

2 | Political Participation

Political representatives are determined by general, free and fair elections. There is universal suffrage and the right to campaign for elective office exists. On the whole, elections are conducted properly, and continued voter registration efforts since the mid-1990s (especially in rural areas) have rendered their outcome ever more representative. After having observed the most recent general elections in October 2014, an Organization of American States (OAS) mission praised the high level of citizen participation but also noted that the country's electoral institutions are overburdened, recommending that Bolivia should implement an effective system for transmitting and disseminating preliminary results. The OAS electoral observation mission also reported "repeated complaints from different political parties regarding the constant dissemination, during the campaign period, of the current government's achievements." In general, however, the results of elections and referendums are not questioned. The 2009 constitution introduced the popular election of the highest judicial tribunals' members and, for parliamentary elections, established special electoral districts for indigenous minority groups in rural areas. Aside from elections, the constitution provides for additional mechanisms of political participation such as recalls, referendums, citizens' legislative initiatives, and direct participation by "organized civil society" in the design and oversight of public policies.

Free and fair
elections

9

In principle, elected rulers have effective power to govern. There are no nationwide veto powers or political enclaves. Under the Morales government, the clergy, landowners, business elites and external actors (e.g., the United States government and international financial institutions) have lost influence, although this certainly does not mean that they have no political influence whatsoever. Still, the influence that remains, in general, simply reflects the fact that, as in any democracy embedded in a capitalist society, social groups and actors that control economic resources usually have disproportionate political influence. At the same time, social protests also limit the government's power to govern, as do, at the local level, certain regional bosses and mafia.

Effective power to
govern

9

Freedom of assembly and association is constitutionally guaranteed and not restricted in principle. Under the Morales administration, the state has relied far less on overt repression (including deploying the military and declaring a state of emergency) when confronted with mass protests than it did under previous governments. Nevertheless, the government does at times rely on intimidation and there have been individual instances of repression. Reportedly, the government has also encouraged divisions within social movement organizations (in particular, in the case of indigenous organizations) in order to weaken the opposition. In 2013, new regulations for NGOs were adopted that have received criticism from international human rights organizations because they allow for the dissolution of NGOs, for instance, when they act against their declared aims.

Association /
assembly rights
8

Freedom of expression is generally guaranteed. Private media (newspapers, TV and radio) are pluralistic, but tend to privilege opposition views. The importance of state media – which has a pro-government bias – has grown throughout the Morales era. This also includes an internet presence by the government news agency (Agencia Boliviana de Información), where it likewise competes with private and “social” media. According to the 2011 telecommunications law, television and radio frequencies have to be distributed equally between the state, the private sector and community-based, small farmer and indigenous groups. Tensions between the Morales government and private media persist. At times, private media outlets and individual journalists become the target of legal proceedings. A new anti-racism law, adopted in October 2010, was criticized by media owners, journalists and some international observers as an attempt to intimidate critics and as violating press freedom. Regulations adopted in January 2011 tightened up the law’s vague wording and softened penalties, laying the foundation for a more restrictive interpretation of the law. According to international rankings on press freedom, in recent years the situation in Bolivia has either significantly improved (Reporters without Borders) or slightly worsened (Freedom House).

Freedom of
expression
8

3 | Rule of Law

Formally, the 2009 constitution envisions a clear-cut separation of powers, in particular between the three branches of the state that are elected in popular elections (executive, legislature, judiciary). The Electoral Organ is established as a fourth power, and vaguely defined civil-society rights to direct participation and social control introduce an additional form of (vertical) checks and balances. In practice, the separation of powers continues to be limited. This is, on the one hand, the result of entrenched practices related to the executive’s meddling in legislative and judicial affairs, as well as of general patterns of politicization and corruption. On the other, it is due to the simple fact that the MAS party, since the general elections in December 2009, has had a two-thirds majority in both chambers of the new parliament. This has

Separation of
powers
7

resulted in a fusion of powers (as is often the case in parliamentary systems) and has severely limited the ability of the opposition to control the executive, shape legislation and influence the pre-selection of candidates for judicial elections. Accordingly, the highest judicial tribunals are generally perceived as close to the government and the MAS, even if they have, in individual rulings, demonstrated certain independence. At the same time, women and indigenous people are now much better represented at the highest level of the judiciary (as in parliament) than ever before. In addition to these institutions of horizontal accountability, Bolivian democracy is characterized by strong vertical checks and balances: subnational governments and strong social organizations that monitor and balance the power of the central government.

The judiciary is traditionally the weakest branch of the Bolivian government and its independence continues to be restricted in practice. When Morales first took office in 2006, the situation initially deteriorated significantly: After a series of resignations up until May 2009, both the Supreme Court and the Constitutional Tribunal were effectively paralyzed. In February 2010, President Morales appointed temporary judges to the Supreme Court, the Constitutional Tribunal and the Judicial Council. It was only in January 2012, when the new judges elected in October 2011 took office, that an independent judiciary was restored. The newly elected judges are mostly seen as close to the government and the MAS, but, in institutional terms, the direct democratic legitimation of judicial organs increases their relative autonomy. Since 2012, there have been some tentative early indications of a certain independence of the judiciary, such as the Constitutional Court's decision regarding the TIPNIS consultation, its ruling against the criminalization of "desacato" (insulting public officials) and against the retroactivity of the current anti-corruption law, as well as its declaring unconstitutional those articles in the Autonomy Law that allowed for suspending elected authorities on the basis of a formal accusation. At the same time, "traditional" problems persist, such as the judiciary's administrative weakness, scarce resources, limited access for ordinary (poor) people, corruption and political influence. An additional challenge concerns the jurisdictional boundaries and the coordination between the ordinary state judicial system and the indigenous justice systems, which are regulated by a 2010 law ("Ley de Deslinde Jurisdiccional") but continue to be problematic in practice.

Officeholders who break the law and/or engage in corrupt practices are not systematically prosecuted, but they are regularly held to account, both legally and politically, when such behavior becomes public knowledge. During the Morales presidency, the government and the judiciary have launched selective anti-corruption campaigns against current and former officeholders from opposition parties, but also against members of the MAS party and close collaborators of the president. Major corruption scandals have involved important persons and institutions of the Morales government (including a high anti-corruption official). Attempts to address the lack

Independent
judiciary

6

Prosecution of
office abuse

5

of transparency and the structures of patronage behind the scandals, however, have been limited. The 2009 constitution and a 2010 law stipulate that anti-corruption legislation can be applied retroactively, a rule that the government has already made use of to initiate judicial action and propaganda campaigns against former officials and politicians of the opposition. However, in October 2012, the Constitutional Court ruled against this retroactivity clause. Institutional improvements (including a new Ministry of Institutional Transparency and the Fight against Corruption) have yet to show results. There is broad consensus that widespread corruption is one of the major problems confronting the Bolivian government but there is also strong resistance to systematic tackling of this problem.

Civil rights are guaranteed in principle. However, they are still violated occasionally, and mechanisms to prosecute, punish and redress violations of civil rights at times prove ineffective. Equality before the law, equal access to justice and due process under the rule of law are not de facto guaranteed. Discrimination especially affects women (e.g., but not only, in cases of violence against women), members of indigenous peoples and residents in remote rural communities. The 2009 constitution gives ordinary state law and indigenous (customary) law equal status, giving rise to fears that such community justice might infringe the classical individual civil rights guaranteed in the Magna Carta. However, the constitution clearly states that the indigenous juridical systems must respect the right to life and to defense along with the other rights and guarantees established by the constitution. The corresponding law (“Ley de Deslinde Jurisdiccional”) is fairly restrictive in terms of the scope provided to indigenous law. Nevertheless, implementation is problematic and even clearly illegal violations of basic civil rights (e.g., lynching), that are at times justified by the perpetrators as expressions of community justice, are not reliably prevented nor systematically prosecuted.

Civil rights

6

4 | Stability of Democratic Institutions

Democratic institutions exist and, in principle, perform their functions. The fact that Bolivian democracy enabled and survived the major political changes associated with the Morales government demonstrates a remarkable capacity to perform the most important functions of a democratic regime: to translate widespread public discontent with the status quo into political change, and to channel sociopolitical conflict in a way that prevents major bloodshed. Since the adoption of the new constitution by referendum in January 2009, presidential and parliamentary elections in December 2009, as well as departmental and municipal elections in April 2010, the new executive and legislative institutions have generally performed their functions. Since January 2012, this also holds for the highest judicial organs (with the caveats mentioned above). At the level of the central state, the two-thirds majority held by the MAS in the Plurinational Legislative Assembly has enabled a political decision-

Performance of democratic institutions

7

making process featuring much less deadlock, antagonistic rivalry, disregard for procedure and counterproductive friction between institutions than formerly. The downside to this process has been manifested in frequent complaints about marginalization of the parliamentary opposition and a lack of broad social participation. At the subnational level, democratic institutions also generally perform their functions, but a number of departmental and municipal governments have seen a suspension of governors or mayors. Compared to the conflict-ridden years between 2003 and 2009, there has been a clear improvement in the capability of democratic institutions to perform their functions. Still, the effectiveness and efficiency of democratic institutions, in particular of public administration, continue to be limited.

All relevant political actors generally accept the democratic institutions as legitimate, even if they may harshly criticize the persons that represent them. While the 2009 constitution was initially rejected by a significant minority of the population and by important (oppositional) actors, it is now – at least de facto – largely accepted as the basic legal framework of the democratic system. According to opinion polls (such as *Latinobarómetro*), the empirical legitimacy of democratic institutions has clearly improved under the Morales government. To be sure, deep political divisions persist, as does a general lack of respect for procedural rules. Yet, at the moment, the constitution, the national parliament and the Morales government, on the one hand, and the departmental governments and their general right to departmental autonomy, on the other, are not openly called into question by any relevant political actor. In this sense, and in contrast to previous years, Bolivia's democratic institutions today are generally accepted as legitimate by most relevant actors.

Commitment to democratic institutions

7

5 | Political and Social Integration

For many years, Bolivia has had an unstable (and unbalanced) party system characterized by high fragmentation, substantial polarization and high volatility due to the parties' limited anchoring in society. On the whole, the party system continues to be unstable and only weakly anchored, but the governing MAS party constitutes a clear exception: Even if not an organizationally unified political party in the traditional sense, but rather an umbrella organization uniting a series of social movement organizations, the MAS is socially rooted, has relatively stable linkages with societal organizations and, since 2005, has received remarkably stable support in elections, referendums and opinion polls.

Party system

6

While the MAS and especially its undisputed leader Evo Morales have proven able to articulate and aggregate a broad range of societal concerns and values, contemporary opposition parties have, for the most part, failed to do so. The traditional party system in place since 1985 finally collapsed in 2005. Since then, different center-right alliances (*Poder Democrático y Social*, *PODEMOS*; *Plan Progreso para Bolivia-Convergencia Nacional*, *PPB-Convergencia*) have not been

able to consolidate. The most stable conservative forces are Unidad Nacional (UN), led by businessman and former Revolutionary Left Movement (MIR) politician Samuel Doria Medina, at the national level and the regional political movement of Santa Cruz governor Rubén Costas (Movimiento Demócrata Social, MDS). For the 2014 elections, the two joined forces (as Unidad Democrática, UD), but had to compete against former president Jorge Quiroga and his Partido Demócrata Cristiano (PDC). In terms of voter support, these center-right forces together represent roughly a third of the population. Within the center-left spectrum, the Movimiento Sin Miedo (MSM) used to be a relatively institutionalized political party with its stronghold in La Paz (which it has governed since 1999). However, in the 2014 elections, the MSM and its presidential candidate Juan del Granado received less than 3 percent of the vote, thereby failing to enter parliament and, as a consequence, losing its status as a national political party. The same outcome befell the newly launched green party (Partido Verde de Bolivia, PVB). As a result, for the time being, the fragmented range of oppositional forces “on the left” (leftist, environmental and indigenous critics of the MAS government) are not represented at the national level.

At the subnational level, the MAS is again the dominant political party. However, there is a broad spectrum of diverse local and regional forces at this level; some of these entities have fairly stable social roots and represent institutionalized organizations. This is true, for instance, of the regional autonomy movement in Santa Cruz led by governor Rubén Costas, despite the fact that the departmental civic committee has recently lost much of its power. In general, these regional and local forces lack systematic representation at the national level.

In sum, Bolivia’s current party system combines a dominant majority force with highly fragmented and unstable opposition parties. For some years now, voter volatility has been remarkably low (with a stable absolute majority supporting the MAS and a third supporting the center-right opposition). The degree of polarization has lessened somewhat in comparison with 2007 and 2008, but is still high. At the same time, during the period under study, the broad alliance of social forces united behind the MAS has continued to erode. On several occasions, (former) social allies of the MAS (indigenous organizations, trade unions) openly challenged the Morales government, most notably in the context of the massive protests against the planned highway through the TIPNIS area. In general, cohesion within MAS and the pro-government camp depends very much on the president and the government’s fiscal capacity to respond to a diversity of demands.

There is a broad network of interest groups that reflect diverse and partially competing interests and values: organizations representing capital and labor, agricultural and (semi-)urban sectors of society, indigenous peoples and communities as well as a number of area-specific and regional interests. The spectrum of interest groups generally incorporates all (competing) interests and values, and no strong interests are able to dominate the rest. Nevertheless, the actors involved are often unwilling to cooperate, and competing groups at times go so far as to clash violently.

Interest groups
7

During Morales's first term in office, the various groups tended to ally and split along the country's primary political fault line: The traditional Bolivian trade union federation (COB), the national small farmers' federation CSUTCB, indigenous confederations from the Andean highlands (CONAMAQ) and the lowlands (CIDOB) as well as powerful community organizations (e.g., the neighborhood committees in El Alto) joined the MAS and its member organizations (such as the federation of coca growers) in defending the Morales government. Meanwhile, the oppositional autonomy movements in the Media Luna region united deep-rooted civic committees, strong regional associations of businessmen, youth organizations and departmental governments.

Since 2009, however, conflicts have erupted within the camp of (former) pro-government forces, in particular, both between different social/interest groups and between social organizations and the state. This is also reflected in tensions and the splitting of organizations (such as CIDOB and CONAMAQ). At the same time, increasing cooperation between the MAS government and business sectors (in particular, agribusiness in Santa Cruz) has raised these interest groups' political influence. In general, societal interests that are articulated by interest groups and social (movement) organizations allied with the MAS are much better represented in the political system than others.

Support for democracy, as measured in Latinobarómetro's opinion polls, is fairly high. Under the Morales government, the share of respondents that declared democracy to be the most preferred political system initially increased from 53% (2005) to 71% (2009), but in recent years decreased to 61% (2013). This, however, is still above the Latin American average (56%). With regard to actual democratic performance, satisfaction with democracy, after declining from an all-time high of 50% in 2009 to 28% in 2011, increased again to reach 38% in 2013, corresponding to the average satisfaction with democracy in both Latin America and Europe (between 2000 and 2005, satisfaction in Bolivia ranged from 16% to 25%). Trust in specific political institutions is traditionally even lower, but has also seen important increases under the Morales government: the 2013 data ranges from 18% (political parties), 24% (judiciary) and 27% (parliament) to 38% (armed forces), 39% (government) and 46% (president). As everywhere in Latin America, the highest trust is in family members (78%) and the church (68%).

Approval of
democracy
7

Throughout the country, there are many autonomous, self-organized groups, associations and organizations. At the local level, a strong sense of solidarity tends to prevail. Many indigenous groups have rich and institutionalized communal and communitarian traditions. Even in urban settings characterized by a largely informal economy (e.g., in El Alto), the degree of social self-organization is remarkably high. Nevertheless, general interpersonal trust is relatively low: according to Latinobarómetro data, it has recently fallen to 11% (2013), below the Latin American average of 16%. This mirrors the stark fragmentation along socioeconomic, regional and ethnic lines. Still, the relatively high level of cooperation and mutual support for purposes of self-help expresses (if anything) a fairly high level of social capital.

Social capital
6

II. Economic Transformation

6 | Level of Socioeconomic Development

In Bolivia, social exclusion is still quantitatively and qualitatively widespread and structurally embedded. Significant levels of poverty combine with multiple social inequalities. However, during the last ten years, the poverty rate has declined significantly. According to Economic Commission for Latin America (CEPAL) data, the share of people living in poverty (defined in terms of basic needs) has been reduced, falling from 63.9% in 2004 to 54% in 2007 to 36.3% in 2011. Extreme poverty has been reduced from 31.2% (2007) to 18.7% (2011). Poverty rates in rural areas are higher (2011: 55.4% poverty, 38.1% extreme poverty), but also significantly lower than previously (2007: 75.8% poverty, 59% extreme poverty). Recent years have also seen a notable reduction in income inequality as measured by the Gini index: from 0.565 (2007) to 0.472 (2011). This reduction is clearly above the Latin American average and means that Bolivia is no longer among the countries in the region with the worst distribution of income. The UNDP has noted almost continuous improvements in human development since 1975; Bolivia's Human Development Index (HDI) score (0.667 in 2013) is in the medium human development category, giving the country a rank of 113th out of 187 countries. These improvements notwithstanding, dramatic inequalities persist. Socioeconomic discrimination in particular affects indigenous peoples, rural areas and women. UNDP's Gender Inequality Index (2013) gives Bolivia a score of 0.472 (ranked 97th out of 187 countries). The poverty rates of women, rural populations, indigenous and afro-bolivian people are above average, confirming the structural character of Bolivia's multiple socioeconomic barriers.

Question
Score

Socioeconomic
barriers
4

Economic indicators		2005	2010	2013	2014
GDP	\$ M	9549.1	19649.6	30601.2	34175.8
GDP growth	%	4.4	4.1	6.8	5.4
Inflation (CPI)	%	5.4	2.5	5.7	5.8
Unemployment	%	5.4	3.3	2.6	-
Foreign direct investment	% of GDP	-2.5	3.2	5.7	0.2
Export growth	%	8.3	9.9	4.2	-
Import growth	%	14.8	11.0	8.2	-
Current account balance	\$ M	622.4	873.7	1054.0	-16.4
Public debt	% of GDP	80.4	38.5	32.5	33.0
External debt	\$ M	6908.4	6017.2	7894.9	-
Total debt service	\$ M	522.2	656.6	554.3	-
Cash surplus or deficit	% of GDP	-3.7	-	-	-
Tax revenue	% of GDP	16.2	-	-	-
Government consumption	% of GDP	16.0	13.8	13.9	-
Public expnd. on education	% of GDP	-	7.6	-	-
Public expnd. on health	% of GDP	3.7	3.6	4.8	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.8	1.7	1.5	1.4

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

On the whole, basic institutional conditions for market-based competition exist. Yet, there are significant imbalances between competitive export-oriented sectors (e.g., agribusiness), weak national industries and a huge informal and subsistence economy in both urban and rural areas. Under such conditions, efforts to increase market-based competition since 1985 have produced highly uneven results. The Morales government has not sought to promote market competition further. Since 2006, the role of the state in the economy has expanded (through public investment, public enterprises and state regulation), and there is now substantial state participation and intervention in strategic sectors. This particularly concerns Bolivia's hydrocarbons

Market-based
competition
4

sector, as the “nationalization” declared in 2006 has led to increased duties on gas and oil companies and restored the traditional state-owned petrol company YPF as a major player in the sector. Further “nationalizations” have affected individual (foreign) companies in a variety of sectors (including mining, energy and telecommunications). Market-based competition was also deliberately limited by the Agrarian Reform Law of 2007 (reinforced by the 2009 constitution), which allows for the expropriation of land “not fulfilling its economic and social function,” and lays the groundwork for a more comprehensive and redistributive agrarian reform (see sections on Property rights and Private enterprises below). Administered prizes exist for petroleum products and potable water. The 2009 constitution envisions a “plural” economy consisting of “communitarian, state, private and social cooperative” forms of economic organization, and prioritizes domestic investment over foreign investment. In general, however, Bolivia is open to foreign trade and investment, and there is no discrimination of foreign firms (*vis-à-vis* domestic ones) or of firms of different sizes. Bolivia’s currency, the Boliviano, is freely convertible and profits can be repatriated with a 12.5% withholding tax (with the exception of private profits from natural resources, which, according to the constitution, have to be re-invested within the country).

Bolivia’s 2009 constitution prohibits private monopolies and oligopolies. Still, there is no economy-wide competition law and no comprehensive merger control system. Sector-specific regulations against anti-competitive practices do exist, but for many years these have been implemented rather inconsistently. Between 1985 and 2005, many new monopolies or oligopolies were formed at the regional or sectoral level, such as in the media sector or through privatization. Since 2006, the return to stronger state intervention has favored state and parastatal monopolistic tendencies. The 2009 constitution also prohibits large land holdings (the *latifundio*), establishing an absolute limit of 5,000 hectares. The latter clause is, however, not applied retroactively - thereby severely limiting its effect on land distribution.

Foreign trade was deregulated after 1985 and further liberalized and diversified throughout the 1990s. The change in economic policy since 2006 has affected foreign investment without adversely impacting trade. Bolivia’s weighted average tariff rate is 3.7%. However, there are a number of non-tariff barriers, including import bans and restrictions as well as domestic preferences in government procurement, all of which constrain market access. According to The Heritage Foundation’s Index of Economic Freedom, the degree of “trade freedom” has slightly improved during the Morales government (changing from “moderately free” to “mostly free”). This upward trend is confirmed by the World Bank’s Doing Business reports (indicator “Trading Across Borders”). Responding to rising global food prices (since 2008), the Morales government had introduced temporary restrictions on agricultural and agribusiness exports. These restrictions, however, have been increasingly loosened in recent years.

Anti-monopoly
policy

6

Liberalization of
foreign trade

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Bolivia is a member of the WTO and the Andean Community (CAN), and is in the process of joining Mercosur. The Morales government is critical of free trade agreements, although it is not opposed to trade treaties in principle. On the one hand, the government ended trade negotiations with the United States and the European Union. On the other hand, Bolivia joined the “Peoples’ Trade Treaty,” originally negotiated between Cuba and Venezuela. Following a crisis in bilateral relations that included mutual expulsion of their respective ambassadors, the U.S. government in 2008 suspended Bolivia’s inclusion in the Andean Trade Promotion and Drug Eradication Act (ATPDEA), thereby revoking a number of trade preferences. These political developments have reinforced a trend toward the diversification of trade partners, with export markets in Latin America (Brazil in particular) and the Asia Pacific region significantly gaining in importance.

Bolivia’s banking system and capital market are differentiated, open and internationally oriented, but subject to fluctuations due to the small size of the economy, a lack of oversight and a high dependency on foreign markets. According to the Autoridad de Supervisión del Sistema Financiero (ASFI), there are currently nine commercial banks operating in Bolivia as well as 8 microfinance entities and a series of savings and loan associations (8) and cooperatives (26). Since 2002, the share of nonperforming loans as a percentage of banks’ total gross loans has declined continuously, from 17.7% to 1.5% in 2013. The bank capital to assets ratio is at 8.8% (2013) (World Bank data). Over the last decade, the share of dollar deposits in the banking system has also been greatly reduced. According to the IMF, the financial system is solid and well capitalized. In 2013, a new Financial Services Law was enacted that establishes a comprehensive legal framework for the regulation of financial services and institutions. These new regulations enable the executive, inter alia, to define maximum lending rates and minimum lending quotas for the productive sector and social housing.

Banking system

7

8 | Currency and Price Stability

The Morales government has, on the whole, pursued a consistent policy on inflation and an appropriate exchange rate policy. Countercyclical monetary and exchange-rate policies have generally corresponded well to the government’s overall economic policy. According to the IMF, food supply shocks triggered an increase in inflation in mid-2013, which led to an inflation rate of 7.5% (2013). Given monetary tightening and measures to improve the food supply, inflation for 2014 was estimated to have declined to 5.5%. Since late 2011, the central bank has maintained a stable nominal exchange rate vis-à-vis the U.S. dollar, which has led to an increasing real exchange rate. International reserves, which have soared since 2005, continued to expand and, in January 2015, totaled nearly \$15 billion (almost 50% of GDP). Reflecting public confidence in the domestic currency (and deliberate policies by the central bank), de-

Anti-inflation /
forex policy

8

dollarization of the financial system has continued: According to CEPAL data for September 2012, about 70% of deposits and 78% of credits were in national currency, historically unprecedented levels. Bolivia's central bank is not independent, but – according to the 2009 constitution – the executive sets monetary and exchange-rate policy objectives “in coordination with the central bank.”

Between the late 1980s and 2005, Bolivian governments were committed to fiscal and debt policies aimed at macroeconomic (especially monetary) stability; they even implemented strict austerity measures during some periods. In terms of overall priorities, this has changed since 2006. Yet despite the new emphasis on social policies and public investment, the Morales government has stuck to a consistent policy of macroeconomic stability. Based on high commodity prices and increased revenues from gas exports due to the hydrocarbons law and “nationalization” policy, continuous budget deficits between 2000 and 2005 have been transformed into fiscal surpluses since 2006. In 2013, according to CEPAL, the non-financial public sector surplus was 0.5%. However, the general government budget ran at a deficit, in particular because of increased (capital) spending for the government's public investment program. Following record levels in 2012, the surplus in the current account balance shrank in 2013 and 2014. As stated above, international reserves continued to set new records. Since 2003, Bolivia's public and external debt levels have fallen significantly, but in recent years – following two emissions of sovereign debt bonds in 2012 and 2013 – external public debt has again increased gradually to 17% of GDP in 2013 (CEPAL).

Macrostability
9

9 | Private Property

The 2009 constitution guarantees the right to private property, provided that it performs a social function, and provides for “prior just compensation” in cases of expropriation. This is not significantly different from the constitutional status quo ante and is entirely in line with the notion of a social market economy. Nevertheless, guarantees of property rights are not implemented consistently or safeguarded against state intervention. In recent cases of expropriation, appropriate compensation was not guaranteed by well-defined procedures and transparent criteria, but emerged from negotiations. With a view to land tenure, the new constitution deliberately limits the right to private property by establishing an absolute limit of 5,000 hectares (which is not, however, applied to already existing agrarian property). Land not fulfilling a “social-economic function” can be confiscated. Still, this has happened only in individual cases and, in the period under review, the government's political will to redistribute land appears to have slowed down significantly.

Property rights
5

Private companies are permitted and in principle can act freely, but bureaucratic and political limitations exist. Under the Morales government and the 2009 constitution, private enterprise has lost its former status as the primary engine of economic development. Public companies in particular have gained importance in quite a few sectors. Privatization is no longer a political strategy, and the privatization process (which began in 1985) has been partially reversed. However, “nationalization” – even in the hydrocarbons sector – has not led to total state domination of strategic sectors, but instead to new forms of cooperation between public and private (foreign) companies featuring significantly increased participation and control by the state. In addition, Bolivia’s regulatory environment has historically been regarded as relatively restrictive for private business (see, for example, the World Bank’s Doing Business reports). In 2014, President Morales promulgated a new investment promotion law.

Private enterprise
4

10 | Welfare Regime

Social safety nets are fragmented and coverage is not distributed equally. Given the limited reach of the traditional system of social security, cash transfer programs are the principal mechanism of providing (limited) social security and fighting poverty. Since 2006, a conditional cash transfer (“Bono Juancito Pinto”) has been awarded once a year to children in return for continuing their education through the sixth grade of primary school. In 2008, a tax-financed, non-contribution-based state pension for all citizens over 60 years (“Renta Dignidad”) replaced the previous “Bonosol” program. This new state pension is universal, but levels are higher for elderly people who do not receive social security payments. Since 2009, an additional cash transfer program (“Bono Juana Azurduy”) has supported pregnant women and young mothers if they seek medical care during and after pregnancy. In December 2010, parliament passed a new pension law (Ley de Pensiones), under which private pension funds (the result of the privatization of social security in the 1990s) were replaced by a public entity, the age of retirement was reduced from 65 to 58 years and sanctions were established for companies that do not contribute to the pension funds. Furthermore, since 2006, the Morales government has regularly increased the minimum wage and has introduced subsidized tariffs for electricity and water for poor households. In general, the 2009 constitution establishes a series of social rights and prohibits the privatization of public social services related to the supply of water/sewage, public health and social security. Overall, social spending (per capita) has increased significantly over the last decade, as has public investment in basic social services. According to a recent CEPAL study, Bolivia “despite its very low GDP displays a tax and spending effort, and an achievement in terms of coverage of pensions, education and conditional cash transfer programs (CCTs), which are well above those of its peers.”

Social safety nets
5

Bolivia is characterized by multiple structural social inequalities. Although equality of opportunity is formally guaranteed and recent years have seen improvements, it is not achieved in actual practice. Bolivia's Gender Inequality Index improved significantly: from 0.67 in 2008 to 0.472 in 2013. After the 2014 elections, the share of parliamentary seats held by women further increased to the record level of 50% (Inter-Parliamentary Union). According to World Bank data, the ratio of female to male enrollment in education is 98.5% (primary), 100.4% (secondary) and 84.0% (tertiary). The female 2013 HDI value for Bolivia is 0.642 in contrast with 0.690 for males (UNDP). Members of indigenous peoples, especially from rural areas, have significantly fewer opportunities than their non-indigenous counterparts to receive higher education, get a job in the formal economy and escape poverty. That said, significant improvements can be observed, and the situation across the board is certainly better than 10 or 20 years ago. Since 1990, and in particular since 2005, indigenous access to public office has increased dramatically. The introduction of popular elections for the highest judicial organs has also significantly increased the number of female and indigenous judges at this level of the judiciary. In late 2008, following a three-year literacy campaign assisted by Venezuela and Cuba, Bolivia was declared free of illiteracy by UNESCO.

Equal opportunity
5

11 | Economic Performance

In terms of macroeconomic indicators, Bolivia's economic performance has continuously improved since 2003, primarily due to a substantial increase in revenues from the export of hydrocarbons, minerals and agricultural goods. According to World Bank data, GDP per capita has increased from \$4,081 (2005) to \$6,130 PPP dollars (2013). Between 2011 and 2014, GDP grew at rates between 5% and 7%, with inflation rates ranging between 4% and 7% (CEPAL). Driven by strong export growth, the current account balance has improved almost constantly since 2002, although the surplus has recently fallen after reaching record levels in 2012. The same trend applies to non-financial public sector surplus. Tax revenue grew from 16% of GDP in 2004 to almost 22% in 2013. Public and external debt has decreased considerably. Foreign direct investment had fallen steadily since 1998 (to around 3% of GDP), but showed a remarkable increase to 5.7% in 2013 – in absolute terms exceeding the 1998 record level (CEPAL). Gross capital formation has clearly grown since 2005, ranging between 17% (2009/2010) and 19.6% (2011) (World Bank). The positive trend of decreasing unemployment between 2005 (8.1%) and 2008 (6.7%) was temporarily reversed in 2009, but resumed afterwards (reaching 5.8% in 2011) (CEPAL). All these assessments, however, should be seen in the context of a huge informal sector, lingering extensive poverty and the structural weaknesses of a natural resource-dependent economy.

Output strength
8

12 | Sustainability

Environmental concerns receive relatively little attention in Bolivian economic planning at both the macro and micro level, there is no effective institutional framework for these concerns, and they have usually been subordinated to the goals of growth and (since 2006) redistribution. However, following the Rio Summit in 1992, environmental issues were included in the political agenda, and a series of environmental regulations and institutions were established. The 2009 constitution, drawing on indigenous principles, enhances the status of ecological concerns and broadens the legal basis for environmental policy. This was reinforced in October 2012 with the promulgation of the new environmental law – the first law to give rights to the environment. At the rhetorical and international levels, the current Bolivian government promotes far-reaching ecological principles. Domestically, there have been some improvements in terms of regulation and institutions, but actual implementation is another matter. According to Yale University’s Environmental Performance Index (EPI), Bolivia has seen some gradual improvements over the last decade. Still, national development policies clearly prioritize the exploitation of natural resources, with environmental concerns usually taking a back seat, if they play any role at all. This could be seen, for instance, in the reopening of the Coro Coro copper mine (closed in 1986) without an environmental impact study, in a series of local conflicts over the environmental impact of extractive activities as well as in the major conflict on the project to build a road through the Isiboro-Sécure Indigenous Territory and National Park (TIPNIS), which erupted in 2011 and has to date not been resolved (the project is suspended and the government has promised to give the road an “ecological” shape in order not to infringe on the protected area). In the case of incipient lithium extraction in the Salar de Uyuni, research also points to a lack of respect for both environmental concerns and environmental legislation. The agrarian reform policy is aimed at redistributing land to indigenous communities and small farmers, a process that reduces the pressure on protected areas and forests. Yet at times the redistribution of public land in the eastern lowlands (in favor of settling landless farmworkers from the highlands) has threatened protected territories, reservations and national parks (such as in the case of TIPNIS). Despite these issues, environmental awareness is on the rise, particularly within indigenous communities. Some (mostly Aymara) communities have gone to the courts, and one complaint on the basis of “contamination and impunity” was accepted by the Inter-American Commission on Human Rights in 2010. Conflicts over environmental issues are a major reason for the increasing distance between the MAS government and a number of indigenous organizations.

Environmental
policy
5

The public and private institutions for education, training, and research and development are highly heterogeneous, and show clear deficits particularly in terms of R&D. They are unevenly distributed, essentially concentrated in urban areas, and often altogether lacking in rural districts. Public expenditure on education has increased from 2.4% of GDP in the early 1990s to 6.3% in 2006 and further to between 6.9 and 8.1% in recent years (2008 to 2011). Research and development expenditures are traditionally very low (the most recent data report 0.16% of GDP in 2009). The Morales government has prioritized basic education, and in general has shown notable successes in fighting illiteracy and broadening primary education. Furthermore, the government has established three indigenous universities (where the teaching language is Aymara, Quechua or Guaraní). In general, universities have benefited from their share of gas revenue. The gross enrollment ratios are 94.5% (primary), 77.3% (secondary) and 37.7% (tertiary). The ratios of female to male enrollment are 98.5% (primary), 100.4% (secondary) and 84.0% (tertiary). Adult literacy rates for women (91.1%) are significantly lower than for men (97.1%) (World Bank Development Indicators 2014).

Education policy /
R&D

5

Transformation Management

I. Level of Difficulty

Formidable structural difficulties constrain the leadership's governing capacity and have not substantially changed in recent years. First, Bolivia is a landlocked country characterized by extreme geographical disparities, and is frequently hit by natural disasters (especially floods associated with the El Niño phenomenon). Second, socioeconomic constraints persist, including poverty and multiple inequalities; insufficient infrastructure; a structurally heterogeneous economy; dependency on foreign markets and primary commodity exports; an extensive informal sector; the peculiar coca economy; drug production and trafficking; and structural migration. Third, political institutions and administrative structures are chronically weak and state capacities limited. Fourth, ethnic fragmentation, a long history of ethnicity-based discrimination, and additional cleavages along the lines of local and regional identities have eroded trust and consensus, inflamed 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 low, and the democratic rules of the game are generally accepted (if frequently bypassed).

Structural
constraints

7

Bolivian society is characterized by an unusually broad and active range of civic associations. Civil-society organizations of all kinds have a long tradition and public and civic engagement is remarkably high. Yet, civil society is fragmented – and in part openly polarized – along communal, regional, sectoral and ethnic lines, and social trust is weak. In general, societal organizations are less characterized by a civic culture of participation in public life than by a culture of mobilization and negotiation.

Civil society
traditions

6

Conflict levels, while always high in Bolivia, rose almost continuously after 2000. With the rise of indigenous/social movements and the MAS in particular, society and political elites became increasingly split into two camps generally associated with different regional, ethnic and class identities. This polarization culminated in an open political crisis in September 2008, when protests by autonomy movements in the lowland departments peaked, with cities, streets and gas pipelines blocked, central-state institutions occupied, and violence between oppositional and pro-government groups escalating. However, fears of civil war or secession ultimately gave way to a process of relative stabilization. Conflict intensity in 2009 and 2010 was notably

Conflict intensity

5

lower than in 2007 and 2008, but in recent years, the number and intensity of conflicts have once again risen. Since 2010, a series of major conflicts between the MAS government and former allies among the social and indigenous organizations (and between such organizations) has escalated. In particular, the TIPNIS conflict has seen the mobilization of relevant groups of the population for and against the road through the TIPNIS area, displaying a worrisome polarization and split of social/indigenous organizations along various lines. In general, political protests, demonstrations, strikes and occupations occur frequently and regularly involve some degree of violence. In the period under study it is this, in particular, that has troubled protests by police forces, sectors of the military, miners, coca growers and the trade union federation COB. While the most significant regional conflicts have abated somewhat, the prevalence of diverse single-issue and/or local ethnic and social conflicts has been on the rise – especially among (former) members or allies of the MAS coalition. Still, as the 2014 elections have confirmed, it is the MAS government that clearly dominates politics, vis-à-vis both leftist/indigenous critics and the center-right opposition.

II. Management Performance

14 | Steering Capability

In very general terms, the strategic priorities set by the Morales government are not inconsistent with liberal democracy and a market economy. With a view to democracy, the new Bolivian constitution rejects neither elections nor rule of law, but adds, inter alia, institutions of direct democracy, mechanisms of political participation and social control by civil society, and forms of indigenous self-governance (including indigenous justice systems). In actual political practice, the Morales government clearly prioritizes vertical over horizontal accountability, and is much more concerned with the substance than with the form of democratic decision-making or with the rule of law. With a view to economics, the current government does not regard the market economy as the primary – let alone the only – game in town. The current Bolivian government aims at regulated markets that encompass private enterprises and property rights, but within the framework (and the limits) of a plural economy, and directed toward the ultimate aim of “improving the quality of life and the good living of all Bolivians,” as stated by the 2009 constitution. This particularly includes an emphasis on state intervention and active state participation in the economy.

With these qualifications, the Morales government, from the very outset, has set strategic priorities and maintained them for nine years now. In view of the

Question
Score

Prioritization
8

extraordinary depth of the political changes prioritized, and the fierce resistance offered by powerful (if numerically small) defenders of the status quo, the government has proved remarkably capable of pragmatically adjusting policy measures and revising specific objectives in order to prevent failure. This has included the capacity to maintain a long-term perspective through periods of crisis and stalemate. Although a myriad of inconsistencies, internal contradictions and problems could, of course, be mentioned, in terms of its main strategic priorities, the general balance of the Morales government is remarkable. For example, a new constitution that generally corresponds to MAS priorities while still incorporating the most important concerns of the opposition was written, adopted and implemented (to a large extent). The “nationalization” of the gas sector led to a largely successful renegotiation of business terms with transnational companies, which by and large accepted the new framework established by the Bolivian state. A series of new social programs was initiated and implemented, and agrarian reform was significantly accelerated. The Morales government also transformed the United States-driven war on drugs toward a more cooperative strategy, which has led to improvements in terms of human rights. Its performance in terms of counternarcotics is, at least, no worse than previous strategies. In recent years, the government’s strategic priorities have apparently shifted from enacting change to sustaining achievements. This includes consolidating both the MAS’s political power and its project of neo-developmental modernization. Overall, the capacity of the government to define and maintain its strategic priorities is clearly outstanding.

In a general sense, the government has been remarkably effective at implementing its major policy priorities. Its primary declared objectives have either been realized (e.g., the passage and implementation of the new constitution; the “nationalization” of the gas industry) or the process of implementation has begun (e.g., indigenous community autonomy; broadening access to public social services and social security; industrialization of extractive resources). However, effective implementation of individual policy measures is hindered by a series of political and administrative problems, by programmatic tensions and also by internal conflicts within the elites and groups involved. In political terms, the government’s radical and antagonizing rhetoric, its lack of respect for proper procedures, and the instrumentalization of social movements and lawsuits as means in the political struggle have all contributed to polarization and mutual mistrust. In recent years, former allies of the government have increasingly mobilized against government decisions, at times forcing the latter to back down and compromise. In programmatic terms, the political agenda promoted by the MAS government is at times contradictory, particularly when it comes to tensions between its neo-developmental, neo-extractivist orientation and its emphasis on indigenous and environmental concerns (it is obvious that the government’s main project is aiming for a kind of neo-developmental modernization). In administrative terms, the Morales government has been confronted with weak state institutions and

Implementation
7

administrative capacities. This weakness was reinforced by dramatic changes in political elites and state personnel, as well as by the profound restructuring of political institutions across all levels of the state. In addition, the depth of the political changes promoted, the lack of experience in terms of running a state, and the heterogeneity of the MAS itself almost inevitably led to a governing style characterized by improvised decision-making. This has naturally produced a series of inconsistencies.

In Bolivia, there is scant evidence for institutionalized mechanisms of policy learning. Innovation and flexibility, therefore, emerge instead through trial and error or simply muddling through. Under the Morales government, the political leadership has frequently begun with maximalist and often antagonistic positions, only to shift later to a search for compromise and pragmatic solutions. In a number of areas, this strategy has ultimately been successful, but has at the same time contributed to polarization while consuming much time and energy. In any case, the administration's approach has generally involved adaptation rather than learning systematically from past experiences through effective monitoring and evaluation. In general, the balance is mixed. On the one hand, the government has reacted in a flexible way, revising decisions, drafts and plans, and compromising whenever it has encountered determined resistance by groups or foreign partners whose cooperation was necessary to break a deadlock and accomplish a high-priority objective. On the other hand, the government and the MAS have tended to ignore critical objections to their proposals and have regularly insisted on polarization and mobilization instead of moderation and dialogue.

Policy learning
6

15 | Resource Efficiency

Bolivia's public administration is on the whole (some departmental and local exceptions notwithstanding) overstuffed, under-professionalized, inefficient and persistently plagued by corruption and clientelism. Personnel turnover is high, from cabinet posts down to the lowest ranks. Recruiting procedures regularly lack transparency and are not shielded from political influence. Financial and organizational resources are scarce. The budget has been balanced since 2006, in contrast to earlier years, but remains vulnerable and highly dependent on hydrocarbon exports. Public and external debt levels have been significantly reduced since 2003 due to international debt relief and increased revenues. The dramatic surge in state revenue from 2005 on has allowed for the implementation of new social programs and a public investment program that seem to be relatively successful. However, the efficiency of public spending in general saw little improvement during the period under review. The profound restructuring of state institutions due to the new constitution added to the inefficiencies in the public administration of resources. In general, the recent increase in inclusiveness and responsiveness by the public

Efficient use of
assets
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administration has led to at least temporary losses in terms of efficiency and professionalism. Also, stricter anti-corruption legislation has reportedly reinforced the problem of underspending, which is particularly acute at the subnational level. At the level of the central state, by contrast, the government reports significant improvements in the capacity to implement the public investment budget: In 2011 and 2012, 89% of the budget was executed, and in 2013 and 2014, with new investment regulations in place, this share even increased to more than 99%.

The government has to coordinate a broad spectrum of conflicting objectives, as the various groups and factions within the governing MAS (and within the larger alliance of indigenous and social movements close to the MAS) pursue different, often particularistic and contradictory interests and values. On the whole, the Morales government has been relatively successful in balancing conflicting claims. However, in recent years, conflicts have multiplied and the government has often been ineffective at handling them. In a significant number of conflicts, the government was eventually forced to concede to the protestors' demands – often merely postponing issues rather than solving problems. A case in point is the TIPNIS conflict where the government first rejected any criticism of the road project, but then, after major protests, gave in to demands: In October 2011, a law was passed cancelling the road project and declaring the TIPNIS area “intangible”. In early 2012, following another march (by those supporting the road), a new law was promulgated that called for a consultation about the TIPNIS project (with the clear intention of facilitating the road project). After the highly contentious consultation process, the government announced in late 2012 that some 80% of the communities supported the road, but serious resistance continued and, in effect, none of the issues at stake in the conflict has so far been resolved. As a result, the road project remains suspended. This suggests that the government has yet to develop a strategy to effectively deal with tensions between its neo-developmentalism/neo-extractivism and the indigenous and environmental concerns voiced by social and indigenous organizations. In general, the government's usual response to larger protests has been to give in to particularistic demands, accepting the ensuing elements of incoherence. The government's capacity to coordinate conflicting objectives is to an important extent based on informal modes of dialogue and negotiation, and depends very much on the availability of financial resources as well as on the personal capacity of President Morales, who in a rather unsystematic way usually makes the final decision. In a number of policy fields, the lack of coordination between the various government agencies and personalistic factions has become a serious issue. All these problems notwithstanding, the government has pursued an overall policy that has secured remarkably high and continuous public support – as most recently again confirmed by the October 2014 elections.

Policy
coordination
6

Corruption is widespread at all levels of society and this has not changed significantly during the review period. According to the United Nations Office on Drugs and Crime (UNODC), the current government has shown an “exceptional political will in the fight against corruption.” This refers, in particular, to a strengthening of the institutional and legal framework. In 2006, Bolivia established a vice ministry dedicated to anti-corruption, which was elevated to the Ministry of Institutional Transparency and the Fight against Corruption in 2009. The current constitution (in force since 2009) and various executive orders dealing with transparency and anti-corruption contain a series of important norms and mechanisms. In 2010, an anti-corruption law (Marcelo Quiroga de Santa Cruz) was passed, establishing, inter alia, a National Council against Corruption, Illicit Enrichment, and Money-Laundering. However, institutional capacity and resources are still lacking, and the new anti-corruption policy has yet to show results that go beyond highly publicized individual cases. The credibility of the government has also been affected by a series of high-level corruption scandals that involved, inter alia, the then president of the state-owned hydrocarbon company YPF, a network of (former) government officials engaged in systematic corruption and extortion as well as a high-level anti-corruption official. When corruption charges become public, officials (even high-level ones) are usually dismissed, investigated and prosecuted. According to the Global Corruption Barometer, the share of people who feel the government’s fight against corruption is effective has fallen from 47% (2010 – 2011) to 28% (2013). In general, political parties, the judiciary and the police are regarded as the most corrupt institutions. According to the World Bank Governance Indicators, control of corruption under the current government is at least somewhat better than between 2002 and 2005.

Anti-corruption
policy
4

16 | Consensus-Building

Although no major political actor openly calls into question the maintenance of the democratic order, there is profound disagreement over the proper conception of democracy. The 2008 agreement in Congress on the revised draft constitution (which was supported by important segments of the opposition) demonstrates that it is possible to find a middle ground acceptable to most major political actors (and social groups). Yet such an agreement does not express a normative consensus, but rather a pragmatic acceptance of the balance of power. To the extent that there is some normative consensus uniting most major political actors, it is a very basic agreement on the need to uphold the democratic order, intrastate peace and the unity of the country. The precise features of democracy; the proper relationship between participatory and plebiscitary elements, representative institutions and the rule of law; the importance of different kinds of human rights and liberties; the scope and role of indigenous empowerment, self-governance and law; and the model for decentralization and autonomy – these are all heavily contested questions. De facto,

Consensus on goals
5

however, the 2009 constitution has become the accepted normative framework for most political actors (even if disputes about proper interpretation persist).

The same basically applies to the question of economic order. Again, there are competing conceptions of the proper economic system. In line with the 2009 constitution, the economic order is not understood as a (private) market economy, but instead as a plural economy combining state and private, communitarian and cooperative forms of economic organization. This, generally, constitutes a reasonable normative compromise given the structural heterogeneity of the Bolivian economy. Still, what such a plural economic order exactly entails and how the different elements are to be weighted and articulated is controversial. Related to this is the open contestation about the development model. Here, roughly speaking, the neo-developmental modernization project promoted by the government clashes with anti-extractivist/post-developmental conceptions promoted by some indigenous, leftist and environmental groups, on the one hand, and with the neoliberal agenda of the center-right opposition and economic elites, on the other.

There are no significant anti-democratic veto players. In recent years, the military has explicitly refused to consider coups, a regular practice in Bolivia until the early 1980s. Under the Morales government, the most important potential veto actors have been the regional autonomy movements in the Media Luna region. Particularly in Santa Cruz, this regional opposition included some anti-democratic forces and, for some time, openly acted against the democratically elected central government (partially pursuing secessionist objectives and employing racist rhetoric). However, the regional movements in general did not pursue openly anti-democratic objectives, but rather demanded (democratically conceived) autonomy for their departments. Since the crisis of September 2008, which was regarded by the central government as an attempted “civil coup,” and in fact involved violent resistance to the democratic central state, the regional movements have shifted the primary focus of their activities to institutional approaches. For its part, the MAS and its allies include some anti-democratic groups, but these are clearly marginal. At the same time, in a very general sense, undemocratic practices and a lack of respect for democratic procedures are common among most political and social actors. The actors that most clearly have anti-democratic interests, and are frequently able to pursue them effectively, are those engaged in the drug economy/organized crime. The drug economy, by definition, escapes state control and clearly influences state institutions and policies, but the corresponding actors (individuals and organizations) do not present themselves as political (veto) actors.

Anti-democratic
actors

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During the first years of the Morales government, political, ethnic, class and regional cleavages tended to overlap. At that time, the MAS, first and foremost, represented the indigenous and poor people from the highlands, while the strongest political opposition to Morales came from regional autonomy movements based in the Media Luna lowland region, particularly in the non-indigenous, relatively affluent urban sectors there. Under these conditions, political leadership from both the government and opposition parties has been prone to politically exploit structural cleavages, thereby reinforcing political polarization. Yet, from the outset, the political strength of the MAS has been also based on its capacity to at least partially bridge these cleavages (e.g., indigenous and poor sectors in the Media Luna region have mostly supported the MAS, as have important parts of the urban mestizo and middle-class populations in the highlands). In recent years, cleavages have been blurred even further. On the one hand, important parts of indigenous organizations no longer identify with the MAS government and, in general, the indigenous movement is characterized by deep tensions and splits. On the other, the MAS government has pursued an increasingly cooperative strategy in dealing with the (agri-) business elites in the lowlands and, particularly, in Santa Cruz. The results of the 2014 elections confirm this picture of increasingly cross-cutting cleavages, as support for the government in its highland strongholds has tended to decrease. MAS has done impressively well in the Media Luna region (in fact, beating the center-right opposition in all but one department, including in Santa Cruz). In sum, the polarized conflict between the indigenous and poor majority population represented by the MAS and the “old” elites represented by the regional autonomy movements has mostly given way to a much more complex setting of multiple cleavage-based, but mostly issue- and sector-specific conflicts. Still, across these diverse conflicts, confrontational rhetoric persists and the capacity (or willingness) of the Morales government to use its broad power base (including a two-thirds majority in parliament) to establish a broad consensus has been limited. Serious cleavages within the broader MAS alliance include the split (and open conflict) between state miners and cooperative miners as well as between indigenous peoples from the lowlands and (migrant) indigenous small farmers (colonos, coccaleros) from the highlands. In the period under review, the government has somehow managed to prevent conflicts based on these cleavages from escalating too far, but it has yet to find ways to constructively deal with these conflicts.

The political leadership takes into account and accommodates the interests of civil society actors. Officially, the state even assigns an important role in deliberating and determining policies to “organized civil society” (as the 2009 constitution states it). In actual practice, however, the government does so only selectively and largely by informal means. Whereas previous governments would consult organizations representing the established urban elites, the economic associations and to some extent the unions, the Morales government has given much more consideration to the various groups of the “popular sectors,” including indigenous and social movements,

Cleavage /
conflict
management
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Civil society
participation
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and trade and small farmer unions. The main mechanisms of civil society participation are (a) through the MAS party, which, in part, still operates as an umbrella organization of social movements; (b) via direct representation of social-movement leaders in government or parliament at the national or subnational level; and (c) through informal, but direct dialogue and negotiation between government/MAS leaders and social movements/organizations. This said, the extent of participation is clearly politically biased and depends more on the goodwill of the government and the power to force the government's attention by mobilizing resistance than on established rights to participation and transparent procedures. The new constitution – which includes vaguely defined but potentially far-reaching rights to civil society participation – and the corresponding 2013 law on participation and social control have yet to lead to more institutionalized forms of involvement by societal organizations. This also includes the indigenous peoples' right to prior consultation, which is officially recognized by the 2009 constitution but not systematically practiced. Still, the contemporary involvement of civil society groups is without doubt much broader and deeper than under previous governments (and certainly high by international standards).

Crimes committed during military governments (1964 to 1982) and particularly the severe human rights violations committed by the government of Luis García Meza (1980 to 1981) are still not comprehensively dealt with by the Bolivian state. The cases pending are not so much about achieving reconciliation between the victims and the perpetrators of these injustices, but rather about establishing the truth, fighting impunity and offering adequate reparation to the victims. The primary problem of reconciliation in Bolivian society, however, concerns the centuries of discrimination against the indigenous majority. It is these major historical injustices that the Morales government has promised to address by means of a second process of decolonization. In this sense, the Morales government has generally achieved remarkable progress, even if much remains to be done. At the same time, the genuine political will of the government to address the multiple modes of discrimination faced by the country's indigenous peoples is increasingly called into question by indigenous organizations. Additional specific cases of perceived historical injustices concern more recent experiences, most notably “black October” (2003) which ended the presidency of Sánchez de Lozada. Bolivia continues to demand Sánchez de Lozada's extradition from the United States.

Reconciliation

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17 | International Cooperation

During the period under review, the political leadership drew on the support of a large variety of international partners. However, the Morales government is in general highly focused on its own development agenda, and is less inclined than previous governments to accept international know-how and external advice. In general, Bolivia's dependency on external (financial) support has been dramatically reduced. According to OECD data for 2011 to 2012, the most important donors included the Inter-American Development Bank, the European Union, the United States and the World Bank. However, USAID was expelled from the country in 2013. Since Morales came into office, additional financial assistance has come, in particular, from Venezuela. Beyond Latin America, cooperation has also increased with countries such as China and Russia. The National Development Plan outlines the government's long-term development strategy. At least officially, donors have aligned their priorities to this plan. In general, persisting weaknesses in making effective use of international support (which are real and significant) are due less to inconsistencies in the development agenda than to a lack of efficient infrastructure and the low institutional capacity of the public administration.

Effective use of support

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In general, North-Western governments, international organizations dominated by OECD countries, private investors from these countries and international NGOs adhering to a conception of liberal democracy and market economy have serious doubts as to the economic order and the political regime promoted by the Morales government. Still, they recognize (and largely accept) that the contemporary Bolivian government, in line with the majority will of the population, is not aiming at "more market" and tries to construct a democratic order that at least partially differs from liberal-democratic conceptions. With a view to the economy, external actors – including the IMF – even acknowledge that the government's actual macroeconomic policies have been remarkably successful. Confidence among private foreign investors (and among the governments that see themselves as representing the interests of such companies) is certainly low, which is due to a series of "nationalizations," Bolivia's withdrawal from the International Centre for Settlement of Investment Disputes as well as the government's revision or cancellation of bilateral investment treaties. Yet, there has been no general flight of international private capital and recent years have even seen a remarkable increase in foreign direct investment. In terms of democracy, the 2008 congressional agreement on the draft constitution, the constitutional referendum in 2009, and the successful elections in 2009 and 2013 have, on the whole, bolstered the government's democratic credentials. Nonetheless, the 2011 judicial elections and the series of suspensions and trials of opposition politicians have had the opposite effect. At least in private, most North-Western governments express serious doubts regarding the democratic commitments of the Morales government. Confidence in the Bolivian government on

Credibility

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the part of its fellow Latin American partners, in other (Southern) parts of the world or among NGOs that reject (neo-)liberal conceptions of democracy and market economy is an entirely different matter (and quite diverse at that).

Bolivia's political leadership cooperates with its counterparts in all neighboring states, has intensified cooperation within Latin America and is engaged in all regional integration processes. In the period under study, Bolivia further progressed in becoming a full member of Mercosur, in addition to the Andean Community, CELAC, OAS and the Union of South American States (UNASUR). With its neighbors, Bolivia has mostly cooperative and friendly relations, with the exception of Chile, where relations have traditionally been affected by the Bolivian demand for access to the Pacific. In this regard, Bolivia has pursued a strategy based on international law, having instituted proceedings against Chile before the International Court of Justice demanding that Chile negotiate the "sovereign access of Bolivia to the Pacific Ocean." Internationally, the government has significantly expanded cooperation with a series of countries, including China and Russia. At the same time, it rejects certain rules set by international organizations (e.g., regarding foreign investors' rights and the World Bank's International Center for Settlement of Investment Disputes), and has abandoned the free trade agenda previous governments pursued in negotiations with the United States and the European Union. Still, relations with the European Union and European countries largely continue without major changes. Only the country's relations with the United States have clearly deteriorated under the Morales government. Following a brief interlude of improvement, with the signing of a bilateral framework agreement in November 2011, the 2013 expulsion of USAID added to a series of previous expulsions that included the U.S. ambassador and the U.S. Drug Enforcement Agency. At the same time, the United States government has continued to "decertify" Bolivia (against all evidence) for failing "demonstrably" in its counternarcotics efforts.

Regional
cooperation
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Strategic Outlook

Increasing splits within the broader MAS alliance notwithstanding, there is still no plausible political alternative to the Morales government. It is hard to imagine that an alternative government could reverse recent political and economic transformations in order to reset the country on a path toward “minimalist” liberal democracy and a free market economy. Whether this would be desirable is yet another question. In any case, the 2009 constitution provides a framework that is democratically legitimized, establishes a fundamentally democratic order and is consistent with the existence of a market economy (albeit within clear limits). Actors – whether domestic or international, governmental or non-governmental, close, critical or in opposition to the MAS – should therefore not try to undermine or reverse the changes envisioned by the constitution, but should rather work for its implementation in the most democratic and inclusive way possible. Given the ongoing intra-Bolivian debate about the appropriate political order and a viable development model, the principal aim should be to guarantee a peaceful handling of unavoidable political struggle and social conflict.

More specifically, four main problems or risks have to be confronted:

(1) Politically, it is crucial that both the governing MAS party and the (fragmented) political opposition – in national parliament, the regional departments and the municipalities – agree on institutionalized ways of respecting and dealing with one another. This includes implementing a working regime of delimitation and cooperation between the central and subnational levels of government as well as the need for an increasingly independent judiciary able (at least to a certain extent) to stand above party-political struggles.

(2) The same holds true for relations between the government and social (movement) organizations. Increasing social conflicts within the broader camp of (former) MAS allies show the limits and risks of the government’s predominant, largely informal and ad hoc methods of dealing with critique voiced by social groups. As suggested by the 2009 constitution, the state and the MAS party itself need to develop institutionalized mechanisms that enable reliable modes of participation and accountability.

(3) With respect to social policy, the existing system of social security and the important social programs initiated by the Morales government should be further deepened and strengthened. However, while the government should signal a clear political will to approach the state of universal social rights as established in the constitution in a progressive manner, the government also has to contain exaggerated expectations.

(4) Economically, the dependence on (exporting) primary resources constitutes the country’s main weakness. There is a real danger that the (fiscal) income generated by resource exploitation will be spent on public investments that may generate some economic growth (and reduce poverty) without laying the basis for an alternative development model. Incipient initiatives to promote the

industrialization of nonrenewable resources are important. The ongoing conflict between competing development models – neo-developmentalism and neo-extractivism against an emphasis on indigenous and environmental rights – not only calls for reliable institutions of conflict resolution, but also for innovative ideas about what a plural, diversified and ecologically sustainable Bolivian economy could look like.