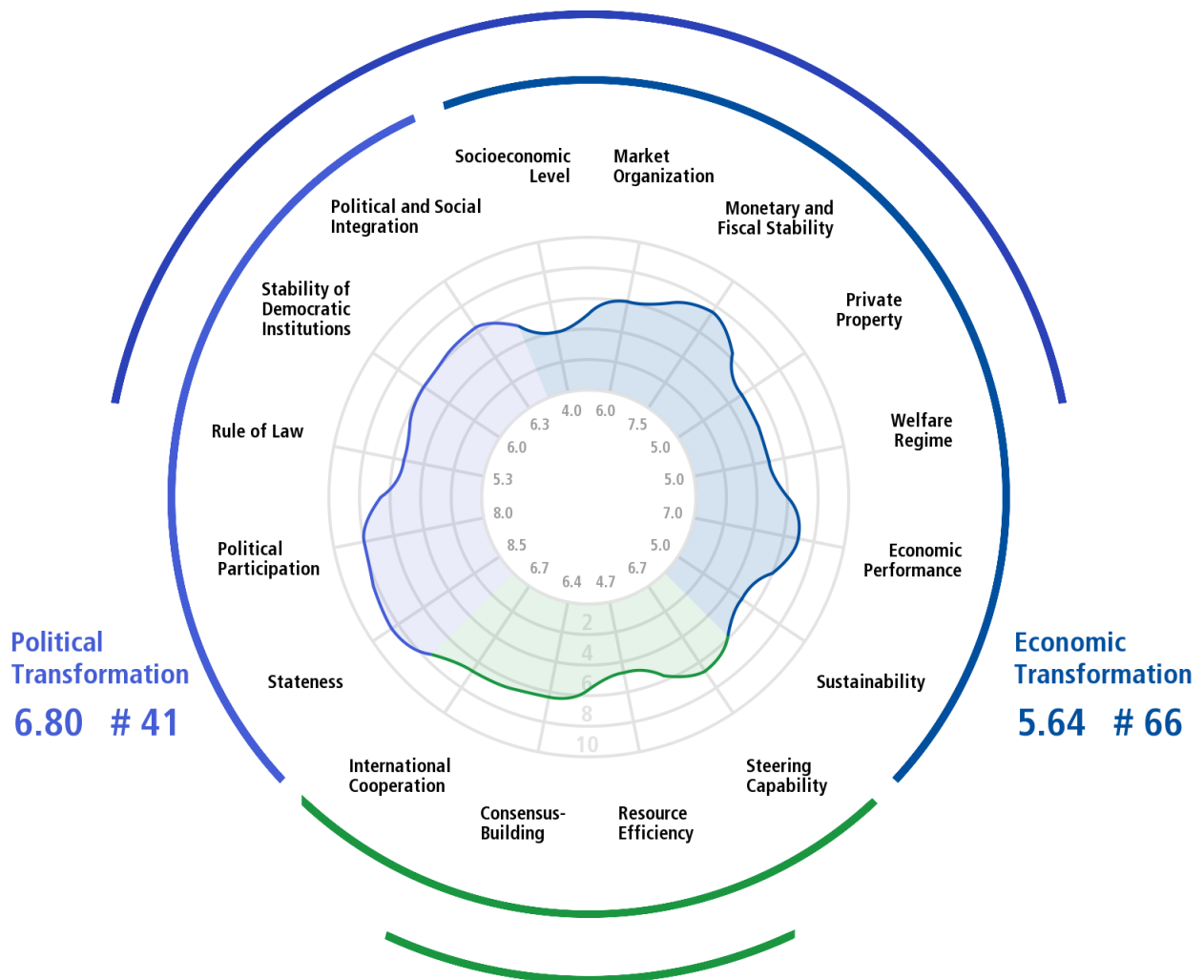


Bolivia

Status Index

6.22 # 49

on 1-10 scale out of 137



Political Transformation
6.80 # 41

Economic Transformation
5.64 # 66

Governance Index

5.45 # 47

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2020 Country Report – Bolivia. Gütersloh: Bertelsmann Stiftung, 2020.

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Key Indicators

Population	M	11.4	HDI	0.703	GDP p.c., PPP \$	7859
Pop. growth ¹	% p.a.	1.4	HDI rank of 189	114	Gini Index	44.0
Life expectancy	years	70.9	UN Education Index	0.690	Poverty ³	% 11.8
Urban population	%	69.4	Gender inequality ²	0.446	Aid per capita \$	84.6

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The period under review (2017 to January 2019) has been a period of increasing political and economic uncertainty. It has been characterized by three overlapping processes: many continuities in politics and policies, as well as in the economy; increasing conflicts and frictions within the governing coalition Movement Toward Socialism (MAS and its allies) and declining support for President Evo Morales; and rising contestation around Morales's bid for reelection (in October 2019). This latter is forbidden by the 2009 constitution, was voted down by the people in a binding referendum in 2016 and condoned by a willing and dependent Constitutional Court in 2017 using unconvincing arguments. The election campaign had potential to become highly polarized and conflictive. Given the fragmentation of the opposition, Morales stands a good chance of being reelected (though with a smaller margin than before, and without the two-thirds majority in parliament the MAS won last time). But whether he wins or loses, his unconstitutional candidacy will have damaged Bolivian democracy which, after the elections, will be more in want of legitimacy than before them.

Among the achievements of the two years have been the passing of the new coca law, the attraction of new investors for significant projects in the steel and lithium sectors, a substantial joint cooperation framework with the EU, implementation of the second round of judicial elections, and the continuation of many investments in infrastructure and social services. The implementation and further development of the constitution has remained limited to some (noncontroversial) sectors; the institutionalization of reliable modes of participation, consultation and accountability is still a problem, as is due respect for the judiciary. Among the failures, we can count Bolivia's defeat before the International Court of Justice in its notorious conflict with Chile over access to the sea, the government's giving in to protests of medical workers and their allies, the unsolved problems of water resources, a continuing lack of initiative with regard to R&D, tertiary education and many Sustainable Development Goals (SDGs), and also the outcome of many smaller, at times violent, single-issue, labor-related and/or local conflicts that have increasingly alienated social,

indigenous and regional organizations that traditionally supported Morales and the MAS. The alliance has been visibly crumbling.

Conflicts have been aggravated lately by the government's reduced room for maneuver in response to social protests using public spending. This is due to shrinking state revenues and increasing deficits of the account balance and fiscal budget, caused by the dramatic fall in global commodity prices, particularly of Bolivia's most important export goods (hydrocarbons and minerals) since 2015. On the whole, Bolivia has so far survived the end of the economic boom and increasing strains on economic growth and public spending in relatively good shape, thanks to its high reserves (now shrinking) and neo-Keynesian policies. Economic growth is still robust, and its (increasing) external debt moderate. Thus far, the government has not needed to structurally adjust its neo-developmental modernization strategy that focuses on state-led, socially inclusive development, with high levels of public investment and an active social policy. This model has, however, increasingly come under pressure, because the state, in many sectors, can no longer deliver. Public investment in essential infrastructure and social services has proven to be insufficient; cash transfers have had to be cut and contained (which produced new conflicts), the reduction of extractive resource (and export) dependency by diversification and industrialization of resources has only made slow (but, in fact, some) progress, and alternative domestic revenues (e.g., through efficient tax reforms) so far have not materialized.

History and Characteristics of Transformation

Bolivia is one of Latin America's poorest countries, although it is one of the richest in fossil and mineral resources and has 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 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 and mestizo majority of the population has been particularly affected by a historical legacy of continuous discrimination. The 2009 constitution recognized a total of 36 indigenous peoples, the largest being the Quechua and the Aymara.

The 1952 "national" revolution of the Revolutionary Nationalist Movement (MNR) 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. During the 1990s, indigenous and social movements increasingly challenged the system of agreements among 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. During 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 and his MAS party have 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 substantial change in economic and social policies. In 2006 and 2007, an elected Constituent Assembly proposed 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 January 25, 2009. In terms of economic and social policies, the Morales government has increased the role of the state in the economy. Based on rising revenues from hydrocarbons and mineral resources, social spending and public investment was expanded.

During the first years of the MAS government, an emphasis on agrarian reform has led to impressive gains in the titling and redistribution of land. As a result, poverty rates have fallen dramatically, and socioeconomic inequality was also reduced significantly. With a view to the structure of the economy, the government aims at reducing the dependency on commodity exports by pushing for an industrialization of extractive resources (gas, minerals, lithium) – so far with limited success. Given a weak and fragmented opposition at the national level, opposition to Morales during his first years in power has come primarily from conservative autonomy movements based in the southeastern lowland departments and led by right-wing governors and “civic committees.” Since around 2010, however, the country has seen an increase in conflicts and splits within the broad and heterogeneous spectrum of social, indigenous, labor, and regional organizations that had supported Morales and the MAS throughout the confrontations with the “old elite.” These tendencies towards fragmentation and declining support for Morales have been enhanced by the repercussions of falling state revenues since 2015 and rising contestation and conflict in the advent of presidential elections scheduled for 2019.

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

Transformation Status

I. Political Transformation

1 | Stateness

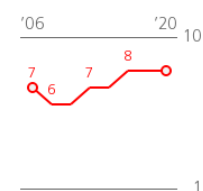
The state's monopoly on the use of force is not openly contested. In contrast to previous years (2005-2009), regional autonomy movements no longer see themselves as alternatives to, or compete with the central state. However, the state's actual presence is not equally robust throughout all parts of the country. In some marginal regions, parallel local power structures have been established that are dominated by landowners, narco-traffickers or ethnic community organizations. Police strikes and other expressions of strained relations between the government and the security forces or the military 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.

The Bolivian state is generally accepted as legitimate by all relevant actors in society. The constitutional concept of Bolivia as a "plurinational state" may in part remain contested, but is no longer actively challenged by any major group. There also is no disagreement within Bolivia as to who qualifies as a citizen, and access to citizenship is not denied to any particular group (much in line with the inclusive tradition of the revolution of 1952 that granted citizenship to every Bolivian). The new constitution adopted in 2009 has significantly broadened citizenship rights (in particular, with a view to economic, social and cultural rights, including collective indigenous rights). During the government of Evo Morales (since 2006), the limits to citizenship of groups traditionally subject to discrimination (the indigenous population, in particular, but also the Afro-Bolivian minority) have been clearly reduced, although de facto discrimination persists.

Question
Score

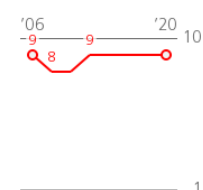
Monopoly on the
use of force

8



State identity

9



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. There also have been tensions between the Morales government and the Catholic Church, which has established itself as a religion-based interest group.

No interference of religious dogmas

10



There are functioning administrative structures in Bolivia, although the state's physical and administrative infrastructure may not be present everywhere. According to World Bank development data, between 2005 and 2015 access to improved drinking water sources increased from 83% to 90% and access to improved sanitation facilities rose from 42% to 50%. Overall infrastructure (roads, etc.) is still relatively poor, but has likewise seen significant improvements under the current government. Limited resources and a lack of professionalism coupled with politicization, inefficiency and corruption restrict countrywide application of jurisdiction/access to the judicial system and the provision of law enforcement. Prisons are severely overcrowded, and about 80% of the inmates are reported to have been waiting for years for a trial. 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. The system of tax collection is inefficient, and the respective reforms (including the ominous "fiscal pact" for tax redistribution among various levels of government) so far have not figured high on the agenda of the government.

Basic administration

7

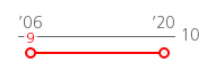


2 | Political Participation

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 have rendered their outcome ever more representative. Organization of American States (OAS) missions have repeatedly praised the high level of citizen participation, but also noted some flaws (e.g., overburdening of institutions, intimidation, disqualifications of candidates). The Perceived Electoral Integrity Index (PEI) of the Electoral Integrity Project ranks Bolivia in 2017 in the middle of the field (score 56, rank 76), with particular flaws in campaign finance and voter registration. In general, the results of elections and referendums are not questioned.

Free and fair elections

9



The Law on Political Organizations of September 2018 has detailed, in a maximalist way, the requirements for membership, organization, internal democracy and ethnic and gender parity of political parties and civic associations. It introduced primaries for nominating candidates for president and vice president that are organized and

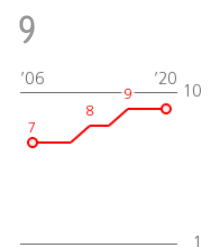
supervised by the High Electoral Tribunal and financed by the state, but in which only the registered members (militantes) of the respective parties and alliances vote. The first of these primaries took place at the end of January 2019, with almost one million registered members in the MAS (of which only 45.4% participated), and only tens of thousands in each of the eight registered opposition parties (which mostly boycotted the primaries and complained about many irregularities).

One of the constitution's most significant innovations has been the introduction of popular election of members of the highest judicial tribunals. While the first of these "judicial elections" in 2011 was marred by confusion and controversies, the second round in December 2017, despite the usual conflicts and complaints, proceeded more smoothly, with almost no reported irregularities, and is considered a success, even by international observers (even if turnout was very low).

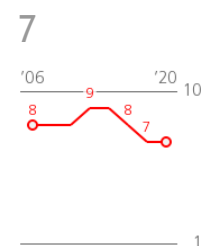
On the whole, elected rulers have effective power to govern. Nationwide veto powers or exempt political enclaves do not exist. Under the Morales government, the clergy, landowners, business elites and external actors (e.g., the United States government and international financial institutions) have significantly lost influence, although this 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 certain regional bosses and mafia at the local level.

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 used to do under previous governments. Nevertheless, the disproportionate use of repression and police violence against demonstrations and mass protests still appears to be a key characteristic of public contestation in Bolivia. The government also continues to attack and intimidate civic groups and NGOs that it perceives as belonging to the opposition. Under regulations adopted in 2013, NGOs can be dissolved if and when they act "against their declared aims." Civil society organizations also have complained about unnecessarily complicated registration processes. In 2015, for example, 38 organizations were declared "irregular" (but not dissolved) by the Ministry of Autonomy because they had failed to re-register under the new regulations. In authoritarian style, Bolivian NGOs that accept international donations are often attacked as "agents of imperialism," and foreign NGOs working in Bolivia are eventually accused of infringing Bolivia's national sovereignty. 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.

Effective power to govern



Association / assembly rights



Freedom of expression is guaranteed by the constitution and generally observed. The media landscape is pluralistic due to a robust mix of state, church and private 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. Private media (newspapers, TV and radio), though pluralistic, tend to privilege the views of the opposition. Throughout the Morales era, however, the importance of state media with a pro-government bias has grown. This also includes an internet presence by the government news agency, which competes with private and social media. Some more recent cases have increasingly triggered fears that the ongoing general renewal of broadcasting licenses (2015–2019) will be used by the government-influenced regulatory authority (ATT) to favor the state sector.

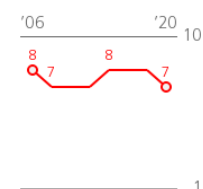
Though the governing MAS in parliament had to withdraw a bill on “responsible information” in late 2017 after severe criticism by the National Press Association, government attacks on a number of journalists and media, and tensions between the government and the private media in general, have increased. In some cases, journalists have been harassed, threatened, or beaten up, lost their jobs, were forced to resign, or had to stand trial. In view of these threats and abuses, as well as financial pressures, Reporters Without Borders has noted a climate of self-censorship in Bolivia. Freedom of information (and transparency) is guaranteed by the Bolivian constitution, but so far has not been implemented in legislation. A respective bill was passed in 2013, but never signed into law. The National Press Association has even stated that the government actively hampers journalists’ access to information. According to international rankings on press freedom (Reporters without Borders, Freedom House), the situation in Bolivia roughly corresponds to the majority of South American countries.

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, however, separation of powers continues to be one of the most problematic moments in Bolivian democracy. During recent years, the classic mechanism of checks and balances has significantly deteriorated; particularly the independence of the judiciary has become increasingly precarious. Besides the entrenched traditions and practices of the executive’s meddling in legislative and judicial affairs, as well as of general patterns of politicization and corruption, this has been due to three main causes: a determined executive, a weak parliament, and an even weaker (and much less

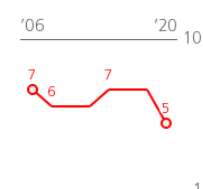
Freedom of expression

7



Separation of powers

5



respected) judiciary, both of the latter of which are open to be instrumentalized by the executive.

The fact that, since the general elections of December 2009, the governing MAS party has held a two-thirds majority in both chambers of parliament has resulted in a fusion of powers and severely limited the ability of the opposition to control the executive, shape legislation and influence the pre-selection of candidates for judicial elections. The judiciary, and particularly the highest tribunals, have become even more dependent on the government. This was demonstrated by the unanimous decision of the outgoing Constitutional Court of 2017, which declared term limits per se as unconstitutional and thereby enabled Morales to run for a second (de facto, a third) term in 2019 (which had been voted down by the people in a binding referendum in 2016). It used the interesting argument that, according to the American Convention on Human Rights, every Bolivian citizen had a human right to run for office. Also, the introduction of direct election of members of the judiciary by the constitution of 2009 has not brought about significant change, as the government still dominates the selection of the candidates. Notwithstanding a high number of blank votes (recommended by the opposition), most officials elected in the second judiciary elections of December 2017 are considered to be close to the government.

In late 2018, the Highest Electoral Tribunal – that previously had had a certain reputation as being relatively professional and independent - suffered from an important blow to its autonomy. First, in the context of mounting pressure on the tribunal to allow President Morales and his vice president, García, to run again, the tribunal's president stepped down; second, after the tribunal accepted the slate, the minority that had voted against the decision received open threats from within the governing MAS party. As partial compensation for these weak institutions of horizontal accountability, Bolivian democracy can display, at least up to a point, 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. The election of judges to the highest courts by popular vote, as introduced by the 2009 constitution, has not changed this for the better; it has even added problems of contestation, compromise and lack of professionalism. Given that the MAS majority in parliament controlled the selection of candidates, and that the number of (oppositional) blank votes was high, the judges elected in the second judiciary elections in 2017, like their predecessors elected in 2011, have been perceived as close to the government. In addition, particularly the Supreme Court and the Constitutional Court in recent years seem to have been brought “in line” with the government more than before. After 2012, there were still a number of cases in which the courts had tentatively indicated a certain independence (e.g., TIPNIS consultation; retroactivity of the anti-corruption law; suspension of elected authorities). During recent years, however, no such cases

Independent
judiciary

5

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1

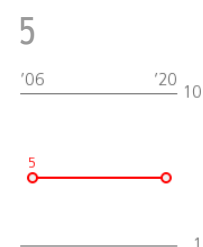
seem to stand out. To the contrary, a number of elected judges have been charged in parliament, almost half of the judges of the previous Constitutional Court have been removed from office, and the openly unconstitutional decision of this court, in 2017, to endorse Morales' bid for another reelection with inappropriate arguments, has certainly not contributed to the standing of Bolivia's judiciary.

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 newly introduced indigenous justice systems, which are regulated by a 2010 law, but continue to be problematic in practice.

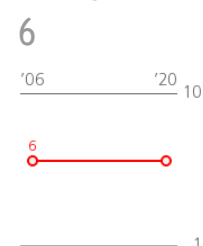
Corruption is widespread and deeply rooted in Bolivia. By mid-2018, Bolivians saw corruption as the second most important problem in their country, after unemployment (Latinobarómetro 2018). Systematic efforts, however, to tackle the problem have never been popular, and mostly found resistance. Officeholders 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 (between 2010 and 2012, even retroactively) against current and former officeholders from opposition parties, but also against members of the MAS party and collaborators of the president. Also, during the period under review, major corruption scandals have continued to involve important persons and institutions of the government and of the entourage of the president. According to the Latinobarómetro survey in mid-2018, almost two-thirds of respondents (63%) said that corruption had increased during the previous year, and 42% saw the president and his entourage as directly involved. A series of institutional changes (a new Vice Ministry of Institutional Transparency and the Fight against Corruption in 2006, its upgrade to a full Ministry in 2009, and its subsequent demotion to Vice Ministry again in 2017) did not create much of an impact. On the whole, attempts to address the lack of transparency and structures of patronage behind scandals have remained limited.

Civil rights are guaranteed by the constitution, and they have been complemented since 2015 by a whole set of corollaries destined to promote campaigns for securing and extending human rights in Bolivia, like the Plan Nacional de Acción en Derechos Humanos 2015 to 2020 and the Política Plurinacional de Derechos Humanos 2015 to 2020. The Defensoría del Pueblo, an ombudsman office established to monitor and redress violations of civil rights, is still in place and functioning, though not very effectively, and (since 2016) under the leadership of a person considered to be close to the government. Indeed, the independent Asamblea Permanente de Derechos Humanos, a civil society watchdog organization, has more clout.

Prosecution of
office abuse



Civil rights



The constitution of 2009 has significantly extended the scope of civil (and human) rights with regard to their economic, social and particularly cultural/ethnic dimensions, recognized the collective rights of the indigenous “nations” and protected the rights of religious, ethnic and sexual minorities. A law in 2016 officially recognized transgender persons. In practice, however, civil (and human) rights are violated in Bolivia. Mostly the police and the security forces are blamed for that. In many cases, the mechanisms to prosecute, punish and redress violations have proven ineffective. Equality before the law, equal access to justice and due process under the rule of law are not de facto guaranteed. Despite a significant reduction in structural discrimination against the country’s indigenous population the Morales administration has achieved, individual (or group) discrimination still exists, particularly affecting women (e.g., including, but not only cases of violence against women), members of indigenous peoples and residents in remote rural communities. The death penalty has been long abolished, but Amnesty International has expressed concern that there still is no independent mechanism to investigate complaints of torture. As Bolivian prisons are hopelessly overcrowded and poorly organized, and about four-fifths of inmates are still awaiting their trials (often for years), prisoners are faced with systematic violations of their rights.

A particular problem consists in the dualism of state law and indigenous community law (with equal status), which the 2009 constitution has established, giving rise to fears that community justice might infringe the classical individual civil rights guaranteed by the constitution. Even though the constitution gives clear priority to the right to life and defense along with other civil rights and guarantees, and the corresponding law (Ley de Deslinde Jurisdiccional) is fairly restrictive with regard to the range community law covers, implementation in given cases has been conflictive. In some cases, clearly illegal violations of basic civil rights (e.g., lynching), which were justified as expressions of community justice, have not been reliably prevented nor systematically prosecuted.

4 | Stability of Democratic Institutions

Democratic institutions exist and, in principle, perform their functions, at the national as well as at the subnational level. Until late 2017, Bolivian democracy under the Morales government could at least partially be seen as a relative success story (with the limitations mentioned above), compared to the “old regime” or the high-conflict and violent years between 2003 and 2009. The two-thirds majority the MAS held in the Plurinational Legislative Assembly has helped to avoid the dimensions of deadlock, antagonistic rivalry, and counterproductive friction between institutions of former times, even if it also had a darker side: marginalization of the parliamentary opposition, violation of minority rights, lack of broad social participation. At the subnational level, democratic institutions generally perform their functions, but a

Performance of democratic institutions

6

'06 '20 10



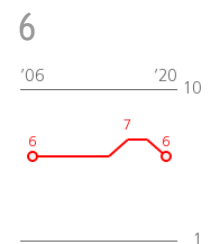
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number of departmental and municipal governments have seen suspensions of governors or mayors.

However, the situation was significantly deteriorated by the ruling of the Constitutional Court in December 2017 to endorse Morales's bid for reelection, against the provisions in the constitution, and against the will of the people, as expressed in a binding referendum. In this semi-authoritarian move, two democratic institutions, the president and the Constitutional Court, did not perform adequately, violated the law, and showed contempt for other institutions, democratic decisions and procedures. The same applies to the governing MAS party that launched Morales's candidacy, and another "supreme" institution: the Supreme Electoral Court (Tribunal Supremo Electoral), which in early December 2018 accepted Morales as a candidate for the 2019 presidential election, triggering immediate protests, roadblocks and strikes in many parts of the country. Traditional conflicts have returned, as has Bolivia's long tradition of "caudillismo."

Most democratic institutions are accepted as legitimate by most relevant actors. While the years between 2009 and 2016 had been marked by growing consent to an (at least de facto) acceptance of the new constitution and the institutions it established as well as by improvements in the empirical legitimacy of democratic institutions as shown by opinion polls (such as Latinobarómetro or LAPOP), the last two years under review have seen these tendencies clearly reversed. It is true that, despite deep political divisions and a general lack of respect for procedural rules, most institutions are still respected and not questioned by any relevant political actor, including the departmental governments and their general right to autonomy (which used to be a highly conflictual issue). But it has also become clear that respect for the constitution and its institutions has significantly declined, and that the empirical legitimacy of democracy and its institutions has decreased dramatically in the polls (as it has almost everywhere in Latin America). With regard to the issue of Morales's bid for another reelection, an increasing number of relevant actors has engaged in flagrant violation of the constitution: so far the president himself, the MAS party, the Constitutional Court, the MAS-dominated parliament, and the Supreme Electoral Court. This has also significantly reduced the acceptance of these institutions by the population, as, for instance, the massive protests against the Supreme Electoral Court's decision in December 2018 show.

Commitment to democratic institutions



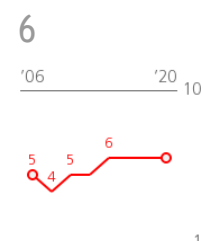
5 | Political and Social Integration

For many years, Bolivia has had an unstable 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, despite losing support, still constitutes an exception: It is not a unified political party, but rather an umbrella for a number of powerful social (mostly peasant) movements and unions, which provide links to mobilizing organizations and, together with the impact of its undisputed and popular leader Evo Morales, have managed to organize relatively stable support in elections, referendums, opinion polls and popular mobilization for more than a decade. At the same time, the MAS demonstrates high potential for aggregating and integrating a broad range of societal interests and concerns, from peasants and landless laborers to leftist urban intellectuals. In its many years in government, however, the MAS has become more of a hierarchical top-down organization with personalistic leadership; the alliance of the social forces behind it started to crumble (around 2010) and its popular support has been gradually eroding for some years now. Its obvious decline started with the loss of its traditional stronghold of El Alto in the regional elections of 2015 and defeat in the referendum on constitutional change of February 2016, and has also continued through the period under review.

The parties in the opposition have not managed to form stable alliances. Some of them are organizationally institutionalized and/or socially rooted, but at the regional or local rather than at the national level. The strongest among them are three groups in the center-right: Samuel Doria Medina's Unidad Nacional (UN), the regionally based Movimiento Demócrata Social (MDS) of governor Rubén Costas of Santa Cruz (which together, for the presidential elections in 2019, formed the Bolivia Dice No alliance with Oscar Ortíz as its candidate), and the faction-ridden Christian Democrats (PDC) supporting some "has-beens," first Jorge Quiroga and then in 2019 Jaime Paz. The numbers of the forces in the center-left are usually small, mostly limited to La Paz, and given to even fragmentation.

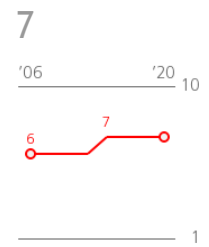
In sum, Bolivia's party system combines a dominant, though declining majority force with highly fragmented, unstable or only regionally based opposition parties. For some years now, voter volatility has been remarkably low (with an absolute majority supporting the MAS and a third supporting the center-right opposition). The degree of polarization is still high.

Party system



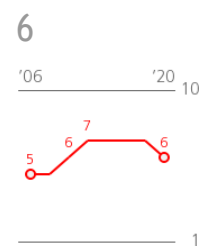
There is a broad network of interest groups that reflect the full array of diverse and often competing interests: organizations representing capital and labor, agricultural and (semi-)urban sectors of society, indigenous peoples and communities as well as a number of sector- or area-specific regional and local interests. None of them can dominate the rest, but, as usual in capitalist societies, some are stronger and more influential than others. Often, they have been unwilling to cooperate, and competing groups at times have clashed violently. The initial polarization that characterized Morales's first term in office, between interest groups supporting the "process of change" initiated by the government, and those opposing it, has been considerably mitigated since 2009. On the one hand, the national business association (CEPB) and many of the Comités Cívicos established to defend regional interests lost much of their influence; some others, like the representatives of agribusiness in Santa Cruz, decided to cooperate with the government on issues of common interest. On the other hand, the united front "for change" that previously supported the government, fractured beginning in 2009/10. Conflicts erupted, both along the lines of contestation among different social interests and those marking the cleavage of movements from government, often in rather unsystematic ways. Influential unions at times gave voice to many different interests. As a result, the leading association of unions (COB) found it hard to define its course, and was often mobilized against the government, but on the whole continued to support it. In contrast, the most important organizations for indigenous interests (CONAMAQ, CIDOB) both split into two factions, one pro-government and one pro-opposition. To date, interests that are articulated by interest groups and social (movement) organizations allied with the MAS are still better represented in the political system than others.

Interest groups



Bolivia has shared the downward trend all Latin American countries have experienced during the last two years, albeit mostly positioned in the middle ranks and often visibly above the Latin American average. According to Latinobarómetro (2018), support for democracy since 2010 has continuously dropped from more than 70% to 64% in 2015, 59% in 2017 and 53% in 2018. The percentage of those saying that democracy is comparatively the best political system, at least better than all others, is still higher, but shows the same trend: it dropped from 74% in 2016 to 66% in 2018 (which is around the Latin American average). The authoritarian potential of those surveyed, however, continues to be remarkably low in Bolivia: Only 24% said that the political regimes are "all the same," and no more than 12% declared an authoritarian regime preferable to democracy.

Approval of democracy

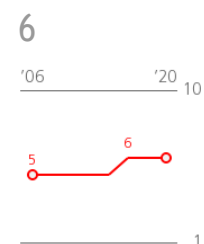


With regard to performance, satisfaction with democracy in Bolivia that had been around 50% in 2009 and had recovered after a temporary slump in 2012, dropped from 41% in 2016 to 35% in 2017 and 26% in 2018, increasingly closing in to the Latin American average. Trust in specific political institutions, which has generally been low, has also gone down in the period under review. Approval of the government lost ten percentage points, from 57% in 2017 to 47% in 2018. Trust in the church (64%) and the armed forces (34%), as well as in private media (53%),

NGOs (37%) and unions (32%) in 2018 still remains higher than trust in state institutions (parliament, judiciary, electoral tribunal, police, between 23% and 28%), not to speak of the political parties (12%). Approval of the statement that the government acts in the interest of the people dropped from 42% in 2017 to only 33% in 2018 (which is still above the Latin American average of 17%).

In Bolivia, as in most Latin American countries, interpersonal trust is not very high. According to Latinobarómetro, it has slightly recovered from a historical low following the 2010 crisis, but stagnated at 15% in 2016 and 2018, at a middle rank near the Latin American average of 14%. Due to the high degree of fragmentation of Bolivian society along socioeconomic, regional and ethnic lines, “solidarity” has always remained contained and limited to small groups and regional enclaves, and rarely achieved “national” dimensions (with one exception, claims to Bolivia’s “right” to access to the sea, lost after the 1879 – 1884 War of the Pacific). Nevertheless, the country has stood out for more than half a century by the relatively high degree of autonomous organization of many significant groups in its society, which was also enhanced and partly consolidated in two waves, the first after the MNR revolution of 1952, and the second after the first election of Morales and the MAS in 2005. Throughout the country, we find many 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. On the whole, the level of social capital in Bolivia is higher than in most Latin American countries.

Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

In Bolivia, socioeconomic barriers are quantitatively and qualitatively widespread and structurally embedded. Significant levels of poverty combine with multiple social inequalities. However, under the Morales government, poverty rates and income inequality have declined remarkably. According to CEPAL data, the share of people living in poverty (defined in terms of basic needs) has been reduced from 63.9% in 2004 to 32.7% in 2013; the same applies to those living in extreme poverty (54.1%/36.3%), and particularly to the rural poor (80.6%/58.8%). World Bank data (WDI 2018: measuring the share of people living on less than \$3.20 per day at 2011 international prices, PPP) report a poverty rate of 12.6% for 2016. With regard to income inequality, the Gini index has continued to fall (with a slight setback in 2013) from 0.565 in 2007 and 0.472 in 2011 to 0.446 in 2016. The reduction in income inequality in Bolivia is clearly above the Latin American average.

UNDP has noted almost continuous improvements in human development since 1975, and particularly since 2005. During the last years, the rise of Bolivia's Human Development Index (HDI) score appears to have slowed down. It went up from 0.681 in 2015 to 0.693 in 2017, but its rank stagnated at 118 (out of 189 countries) in 2014, 2015, and 2017. The overall loss in HDI due to inequality has been reduced from 29.0% in 2015 to 26.6% in 2016 and 25.8% in 2017. UNDP's Gender Inequality Index has also marked gradual improvements before 2014, but stagnation since then, oscillating between 0.454 in 2015 and 0.450 in 2017. Notwithstanding the progress that has been made, dramatic inequalities persist. Socioeconomic discrimination in particular affects indigenous peoples, rural areas and women. The female 2017 HDI score for Bolivia is 0.665 in contrast to 0.716 for men (UNDP). 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.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	33000.2	33941.1	37508.6	40287.6
GDP growth	%	4.9	4.3	4.2	4.2
Inflation (CPI)	%	4.1	3.6	2.8	2.3
Unemployment	%	3.1	3.1	3.2	3.3

Question
Score

Socioeconomic
barriers

4

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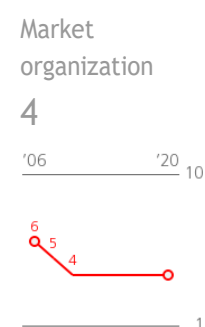
Economic indicators		2015	2016	2017	2018
Foreign direct investment	% of GDP	1.7	1.0	1.9	0.6
Export growth	%	-5.9	-5.7	-5.0	5.2
Import growth	%	-5.4	-4.2	5.6	1.9
Current account balance	\$ M	-1936.2	-1907.2	-1870.9	-1989.6
Public debt	% of GDP	40.9	46.5	51.3	53.9
External debt	\$ M	9895.2	10994.3	12989.9	13280.2
Total debt service	\$ M	993.7	775.6	979.4	1007.2
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	17.5	17.5	17.0	17.5
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	4.4	4.5	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.7	1.6	1.5	1.5

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Basic institutional conditions for market-based competition exist. However, market entry for domestic and foreign companies can at times be very challenging due to a lack of transparency of the legal framework, a cumbersome legal system, and the prioritization of government decisions and public investments. With the exception of the broadcasting sector, there is no formal requirement that Bolivian nationals' own shares of companies, or that foreign equity be limited over time. According to World Bank data for 2018 (Doing Business 2019), the conditions of starting a business have not changed much during the last decade with regard to the number of procedures (14) and the days spent (slightly improving now to 43.5), though the costs have gradually gone down since 2007 (to 60.8% of GNI p.c. in 2014, 54.0% in 2017 and 46% in 2018).

There are significant imbalances between competitive export-oriented sectors (e.g., agribusiness), weak national industries and a huge informal and subsistence economy. Since 2006, the role of the state in the economy has expanded (through

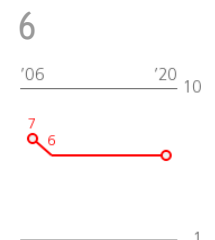


public investment, public enterprises and state regulation), and there is now substantial state participation and intervention in strategic sectors. This particularly concerns Bolivia's hydrocarbons sector, as the nationalization declared in 2006 has led to increased duties on gas and oil companies and restored the traditional state-owned petrol company YPF as a major player in the sector. Further "nationalizations" have affected foreign companies in a variety of sectors (including mining, energy and telecommunications). At the same time, the 2009 constitution prohibits any international arbitration of investment disputes. As a result, the degree of investment freedom as measured by The Heritage Foundation's Index of Economic Freedom has worsened (from "moderately unfree" to "repressed"). Administered prices exist for petroleum products, potable water and certain staple foods. The 2009 constitution envisions a "plural" economy consisting of "communitarian, state, private and social cooperative" forms of economic organization, and prioritizes domestic over foreign investment. In general, however, Bolivia is open to foreign trade and investment, and the 2014 investment law guarantees equal treatment for national and foreign companies. Bolivia's currency is freely convertible, and profits can be repatriated with a 12.5% withholding tax (with the exception of private profits from natural resources, which have to be reinvested in the country).

According to ILO, informal employment in non-agricultural sectors diminished from very high levels of more than 90% of total employment in 2005 to between 75% and 80%, reaching 77% in 2017.

Based on Article 314 of the 2009 constitution, which prohibits private monopolies and oligopolies, the government created an office to supervise and control private companies and to regulate, promote and protect free competition. 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. As this clause is not applied retroactively, its effects on land distribution have remained limited. With regard to the media, there are also fears that the present public licensing processes for renewing all broadcasting licenses (2015–2019), while they may help prevent further concentration of the private media sector, could be used by the state agencies to establish increased government domination.

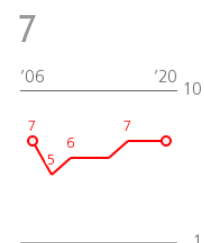
Competition policy



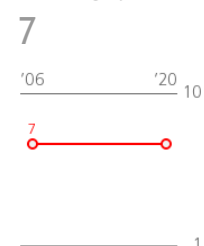
Foreign trade was deregulated after 1985 and further liberalized and diversified throughout the 1990s. Bolivia's average tariff rate has not changed much in recent years and oscillated between 4 and 5%. The simple average of the MFN applied total tariffs in 2017 amounted to 11.8% (WTO). Overall, according 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 has been confirmed by the World Bank's Doing Business reports. However, there are a number of non-tariff barriers. The Morales government has introduced restrictions (export quotas) on agricultural and agribusiness exports. Bolivia has been a member of the WTO (since 1995) and the Andean Community CAN (besides UNASUR, ALBA-TCP, CELAC, ALADI, SELA and others), and it was an associated member of the Mercosur for many years before signing up for full membership in 2015 (ratification still pending). The Morales government is critical of free trade agreements, but has also shown flexibility. It has ended, for some time, trade negotiations with the United States and the European Union (notwithstanding ongoing Mercosur negotiations), but continued to build joint cooperation frameworks with the Europeans (e.g., a €530 million program in spring 2018). Bolivia's involvement in the Peoples' Trade Treaty (TCP), originally negotiated between Cuba and Venezuela in 2006, has in the meantime lost momentum, due to crises in the partner countries. The suspension of Bolivia's inclusion in the Andean Trade Promotion and Drug Eradication Act (ATPDEA) and the revocation of a number of trade preferences by the U.S. government in 2008 (following a severe crisis in bilateral relations) have contributed to reinforcing a trend toward diversification of trade partners, with export markets in Latin America (Brazil, in particular) and the Asia Pacific region (China, in particular) gaining 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 supervision and a high dependency on foreign markets. According to the regulating authority (ASFI), there were (September 2018) two state-owned banks, 13 private general banks as well as several (in total, about 45) smaller and specialized financial entities and cooperatives operating in Bolivia. Since 2002, the share of nonperforming loans as a percentage of banks' total gross loans has declined almost continuously, from 17.7% to 1.6% in 2011, and then stagnated (1.6% in 2016). The bank capital to assets ratio has also remained constant during the last years, between 7.1% in 2014 and 7.3% in 2016 (WDI 2018). The share of dollar deposits in the banking system has also been greatly reduced for more than a decade. New rules established by the 2013 comprehensive regulatory Financial Services Law have also empowered the executive to define maximum lending rates and minimum lending quotas for the productive sector and social housing. According to the IMF, Bolivia's financial system is solid and well capitalized, but there are risks related to credit growth, funding and credit concentration.

Liberalization of foreign trade



Banking system



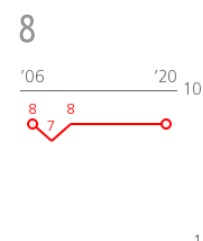
8 | Monetary and fiscal stability

The Morales government has pursued a consistent policy on inflation and an appropriate exchange rate. Countercyclical monetary and exchange-rate policies have generally been successful and corresponded well to the government's overall economic policy. According to the World Bank and the IMF, CPI inflation, which had been oscillating between 4 and 6% since 2012, has decreased to a historic low of 2.8% in 2017 (3.6% in 2016). The central bank's policy of maintaining a stable nominal exchange rate to the U.S. dollar since late 2011 has successfully discouraged devaluation expectations and implemented what the IMF has called a "tremendous progress on de-dollarization." By mid-October 2016, dollarization of deposits was at around 17%, credit dollarization at around 3% (historically unprecedented levels) and continued to fall. International reserves, which had soared from 2005 to 2014 due to continuous trade surpluses, have decreased since mid-2015 when trade and account balances went into deficit due to a plunge in commodity prices and falling gas and oil production. Though their decrease (like account and budget deficits) has since continued, they have still remained relatively high, falling from \$11.60 billion in 2015 to \$8.49 billion in 2016, and \$8.47 billion in 2017 (IMF data; INE data for 2018: \$8.95 billion). The stable exchange rate of the Boliviano against the U.S. dollar and depreciations in the currencies of major trading partners, such as Argentina and Brazil, have meant that Bolivia's real exchange rate has been on the rise (at least until 2016); the real effective exchange rate index went up from 122.2 in 2014 to 150.5 in 2016, however stagnating in 2017 (148.4). Bolivia's central bank is deliberately not independent, but, in line with the 2009 constitution, the government sets monetary and exchange-rate policy objectives "in coordination with the central bank."

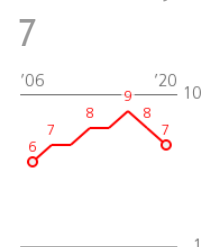
Between the late 1980s and 2005, Bolivian governments had been committed to fiscal and debt policies aimed at macroeconomic (especially monetary) stability; they even implemented strict austerity measures during some periods. Since 2006, however, overall priorities have changed. Yet despite the new emphasis on social policies and public investment, the Morales government managed to stick to a consistent policy of macroeconomic stability, as long as high commodity prices, under the hydrocarbons law and policies of "nationalization," produced increased state revenues from oil and gas exports and fiscal surpluses. With the end of the commodity boom, however, twin deficits (in the current account balance and the fiscal budget) reemerged in 2015 and continued to grow since, but they have so far not forced the government to change its course on economic and social policies.

Government consumption has remained stable at around 17% of GDP since 2015, while the fiscal deficit is considered high at 7.3% of GDP in 2016, 7.8% in 2017, and 7.4% in 2018 (IMF projection). World Bank and IMF data have also shown significant increases in the deficit of the current account balance (from \$1.94 billion in 2015 to \$2.38 billion in 2017), in external debt (from \$9.91 billion in 2015 to

Monetary stability



Fiscal stability

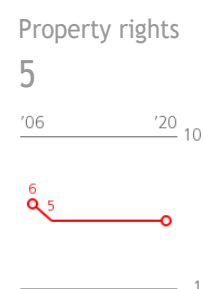


\$11.01 billion in 2016), and public debt (from 38.7% of GDP in 2015 to 45.7% in 2017). The total debt service, however, has been brought down from \$975.6 million in 2015 to \$776.0 million in 2016 (which still is 50% higher than in 2013). The deficits have been paid for from the impressive international reserves Bolivia built up during the years of the commodity boom (and which has now shrunk). Together with central bank loans to the public sector and increased international borrowing, the mobilized reserves have enabled the government to steer a somewhat-steady course with regard to public investment. This has contributed to economic growth rates that, though they have been gradually declining since 2013, remain comparatively high by regional standards with 4.9% GDP growth in 2015, 4.3% in 2016, and 4.2% in 2017 (resulting in a GDP per capita growth of 3.3%, 2.7% and 2.7%, respectively).

What the government, however, so far has not addressed is how long it can continue the course of rising deficits and deficit spending, and how it intends to modify the country's unchanged economic structure that depends strongly on exports of hydrocarbons and other mineral resources.

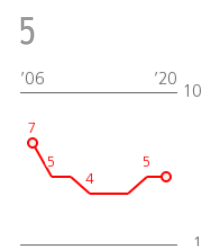
9 | Private Property

The 2009 constitution guarantees the right to private property, provided that it performs a social function, and expropriation requires “prior just compensation.” 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 regard to land tenure, the constitution 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 its “social-economic function” can be confiscated. This has, however, only happened in a few individual cases and, since 2011, the government's political will to redistribute land appears to have slowed down significantly (as have intentions of redistribution in other sectors). At the same time, there have been increased efforts to prevent or combat land seizures, though more in cases of seizures by landless workers than in those of land grabbing by influential companies (Bolivian or foreign, mostly Brazilian).



Private companies are permitted and in principle can act freely, but there are political and bureaucratic limitations. According to the priorities of the Morales government and under the 2009 constitution, private enterprise has lost its former status as the primary engine of economic development, and public companies have gained importance in many sectors. Privatization is no longer a political strategy, and the former privatization process has been partially reversed. However, “nationalization” – even in the hydrocarbons and minerals sector – has not led to total state domination of strategic sectors, but to new forms of cooperation between public and private (foreign) companies featuring significantly increased participation and control by the state. The government has over time increased its cooperation with private companies and interest groups in the agribusiness sector (some of which have political influence), and the private sector in general is now being treated much more as a partner than as an adversary (as it was the case in the first years of the Morales government). The comprehensive and detailed investment promotion law of 2014 has clearly implemented the constitutional primacy of state control and regulation, bound investment promotion to its contribution to socioeconomic development, and given public investment precedence over private investment. Details, however, can now be negotiated in a more flexible way, though not necessarily always as equals. The World Bank’s 2019 Doing Business report still sees in Bolivia’s regulatory environment severe restrictions for private businesses (ranked at 156 out of 190 countries in 2018), and even more severe for starting a business (ranked at 178).

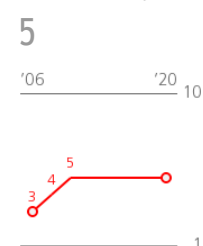
Private enterprise



10 | Welfare Regime

Social safety nets are fragmented and coverage is not distributed equally. Bolivia’s system of social security is still fairly limited and traditional. The agenda of the Morales government since 2006 has, in principle, been in accordance with Agenda 2030. However, concertation between the national development plan (2016–2020) and the SDGs has only just begun; many data for SDG indicators are still missing; and according to the United Nations, Bolivia will not be able to report implementations of the SDG Goals in 2019. In the Bertelsmann SDG Index, the country has risen from 90 (out of 157 countries) in 2017 to 66 (out of 156) in 2018, due to socioeconomic progress and greater inclusion, but still precarious with regard to sustainability.

Social safety nets



Cash transfer programs are still the principal mechanism of providing (limited) social security and fighting poverty. Since 2006, a conditional program (Bono Juancito Pinto) has been awarding grants to children once a year, in return for continuing their education through the sixth grade of public primary school. In 2017, the program covered 2.2 million children, each of whom received Bolivars 200 (about \$30). In 2008, a tax-financed state pension for all citizens over 60 years (Renta Dignidad) has replaced the previous Bonosol program; it is universal, but payments are (about one sixth) higher for elderly people who do not receive social security payments. Since

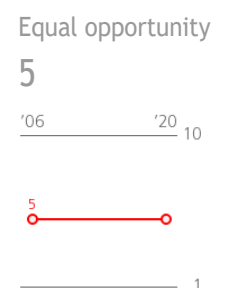
2009, an additional cash transfer program (Bono Juana Azurduy) has supported pregnant women and young mothers if they seek medical care during and after pregnancy. Some special programs (like the rural assistance programs Fondo Indígena, and FDI in 2015), first fell to mismanagement and corruption, before they really started working.

According to the pension law of December 2010, private pension funds 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. However, the contributory pension system remains stagnant, as coverage remains low (the lowest in the region) due to widespread evasion by the informal and formal sectors; total population coverage is estimated at 15%. In addition, the second classic pillar of social safety nets, the health system, is considered one of the least efficient in Latin America; according to the Ministry of Health, 51% of Bolivia's inhabitants currently have no health insurance at all.

Tariffs for electricity and water for poor households are subsidized, and the minimum wage has been regularly increased since the first year of the Morales government. Over the last decade, overall social spending (per capita) has increased significantly, as has public investment in basic social services. Even public expenditure on health, which had not changed much between 2004 and 2012, began to rise incrementally (4.6% of GDP in 2014). Also, life expectancy at birth has gone up steadily (69.1 years in 2016).

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 practice. After the 2014 elections, the share of parliamentary seats held by women further increased to the record level of 50% (Inter-Parliamentary Union). In addition, the new Law on Political Organizations of September 2018 requires all political parties and civic associations to submit to a binding “regime of depatriarchalization” for “the promotion of parity and equivalence” (Article 18) and demands that lists of candidates show “parity and alternation.” According to World Bank data, the ratio of female to male enrollment in education is 1.0% (primary and secondary) and 0.8 (tertiary). The female 2018 HDI value for Bolivia is 0.665 in contrast with 0.716 for men (UNDP). Female labor force as a percentage of the total, which was almost constant between 2006 and 2014 (around 43%), has slightly fallen since then (to around 41%), mostly as a consequence of the economic slump.

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 2006, 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. Still, recent World Bank data on the adult literacy rate particularly point to persisting gender-based inequalities: The female literacy rate (88.6%) is still significantly lower than the rate among the male population (96.5%; with a total literacy rate at 92.5%, which is in the upper third of the 21 Latin American countries). Gross enrollment is at 97.7% in primary, and 86.5% in secondary education. In terms of gender-based discrimination, a new law of 2016 grants transgender people the right to change their name and gender in official documents.

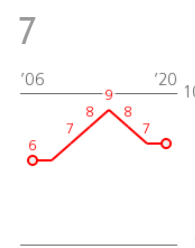
11 | Economic Performance

Bolivia's economic performance in the period under review has reflected the country's general economic situation since the commodities' price and production crisis in 2015 triggered a slowdown of the economy. Economic growth lost momentum, the government's potential to deliver comparatively generous cash transfers, infrastructural and social services became more contained, and "the state" had to rely much more on its fiscal reserves than before, without addressing (now more vital) questions of structural change. At the same time, Bolivia's attractiveness to foreign capital diminished: High taxes and the absence of an independent regulatory agency discouraged foreign investors from prospecting for new reserves in the oil and gas sector. Russia's Gazprom, for example, scaled back its activities significantly, now left partly to Total from France (not to speak of the dwindling Venezuelan PDVSA).

Despite worsening structural problems, Bolivia's macroeconomic indicators have remained comparatively robust, in particular in comparison to other Latin American economies. According to World Bank data, GDP per capita which had increased from \$4,685 in 2007 to \$6,955 PPP in 2015, has continued to do so since (2017: \$7,560). Real GDP growth has seen a gradual slowdown from rates between 5% and 7% (2011 – 2014) to 4.8% in 2015, 4.3% in 2016 and an estimated 4.2% (2.7% per capita) in 2017. CPI inflation which has been rather low since 2008 (exception: 2009) has continued to go down since 2014 (5.8%) to 4.1% in 2015, 3.6% in 2016 and projected 2.8% in 2017 (IMF data). The reduced commodity prices and a decline in production have, since 2014, led to falling exports and, as a consequence, a widening deficit in the current account balance (\$2.38 billion in 2017). In this context, FDI, which had shown a remarkable increase to 5.7% of GDP in 2013, also went down significantly to 2% in 2014 and 1% in 2016, before starting a slight recovery (1.9% in 2017).

Given continuing high levels of public spending and a gradual decrease in tax revenues and royalties, the fiscal deficit has also widened. This has so far been covered by the substantial buffer of fiscal reserves accumulated in boom years. The same applies to the servicing increased (but still moderate) external and public debts (the latter around 46% of GDP in 2017). Gross capital formation, which had

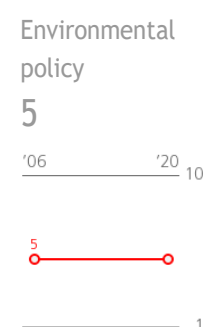
Output strength



diminished to 20.3% of GDP in 2015, has slightly recovered since. Unemployment (in WDI 2018 terms) increased from around 2% until 2014 to around 3% since then. All these assessments have to be seen in the context of a huge informal sector, lingering extensive poverty, and the structural weaknesses of a resource-dependent economy.

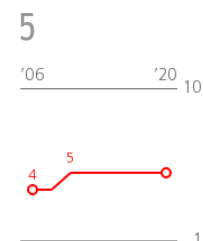
12 | Sustainability

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, has enhanced the status of ecological concerns and broadened the legal basis for environmental policy. The environmental law of October 2012 was the first law to grant rights to the environment (“madre tierra”). At various international levels, the current Bolivian government, at least rhetorically, promotes far-reaching ecological principles. Domestically, there have been some improvements in terms of regulation and institutions, but actual implementation has remained contained. According to Yale University’s Environmental Performance Index (EPI), Bolivia has seen significant improvements over the last 20 years. Still, national development policies clearly prioritize the exploitation of natural resources, with environmental concerns taking a back seat, if they play any role at all. This was, for example, once more confirmed by a 2015 presidential decree facilitating gas and oil exploitation in protected national parks and has lately also been demonstrated by the modalities of and the contestations around incipient lithium extraction in the Salar de Uyuni. In the agricultural sector, the government has largely returned to previous policies of actively promoting the expansion of agribusiness, at the expense of the protection of forests. Bolivia’s climate action plan (NDC), as submitted in the context of the U.N. Framework Convention on Climate Change, contains an ambitious agenda for change at both the national and the global level. But, despite the arrival of climate change in the melting of the Andean glaciers (with consequences to actual water supply), has, with good reason in view of responsibilities, refrained from setting a national target for reducing greenhouse gas emissions. The country has not even supplied key data for the relevant SDG indicators.



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 (mostly in urban areas), and often altogether lacking in rural districts. According to World Bank data (WDI 2018), public expenditure on education has increased from 2.4% of GDP in the early 1990s to between 6.0 and 7.5% since 2006. From 2013 to 2014, it rose from 6.3% to 7.3% of GDP. Research and development expenditures are traditionally very low (the most recent data report 0.2% of GDP in 2014). The Morales government has prioritized basic education, and in general has shown notable successes in fighting illiteracy and broadening primary education. The government also has established three indigenous universities (where the teaching language is Aymara, Quechua or Guaraní). All universities in the boom years benefited from their shares of gas revenues. The latest documented gross enrollment ratios are 97.7% (primary) and 86.5% (secondary). The ratios of female to male enrollment are 1.0 (primary and secondary) and 0.8 (tertiary). The overall adult literacy rate in 2015 was at 92.5%, significantly lower for women (88.6%) than for men (96.5). Bolivia ranks 53rd in the U.N. Education Index (among 133 BTI countries surveyed) with a score of 0.687, 12th in the region and at a similar level to Peru (0.689) and Brazil (0.686).

Education policy / R&D



Governance

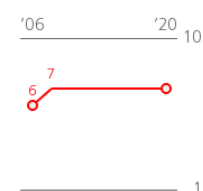
I. Level of Difficulty

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; severe droughts; water shortages). 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; and drug production and trafficking. 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 comparatively low, and the democratic rules of the game are generally accepted (if frequently bypassed).

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 (let alone national) life than by a culture of mobilization and negotiation (mostly at the local and regional level). While the relatively high level of cooperation and mutual support for purposes of self-help expresses a fairly high level of social capital, fragmentation of solidarity and the level of rivalries and conflicts between societal organizations suggest that social capital in Bolivia is more bonding (in-group oriented) than bridging (integrating different groups).

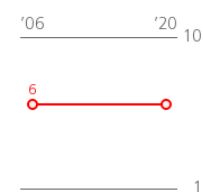
Structural constraints

7



Civil society traditions

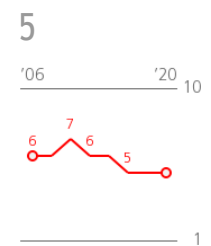
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Conflict levels and political and social violence have always been high in Bolivia, particularly during and after the nationalist MNR revolution of 1952, under military dictatorships, during the (neo-)liberal restoration efforts of the 1980s and 1990s, and finally during increasing social polarization in the 21st century. With the rise of indigenous/social movements and the MAS after 2000, society and political elites have become increasingly split into two camps generally associated with different regional, ethnic and class identities, with two different projects of modernization and different understandings of democracy. 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. Notwithstanding, the crisis was resolved through negotiations and compromise and relative (though partly precarious) stabilization set in which, in principle, has endured since, with increasing problems.

Since 2010, a series of major conflicts between the MAS government and former allies among the social and indigenous organizations (and between these organizations) have escalated. Most of them were single-issue, sector-specific and/or local conflicts, mostly about distribution, government services, fiscal transfers and traditional bread-and-butter issues. For instance, a conflict between the government and the cooperative miners (cooperativistas) in 2016 led to violent clashes between the police and protestors that culminated in the deaths of five mine workers and the kidnapping and murder of the deputy minister of the interior. Some conflicts, however, have also involved more fundamental cleavages with regard to the developmental model the country should follow, like those between the economic interests of (neo-)extractive industries and the principles of environmental protection and collective (indigenous) rights. Though such conflicts have not led to new escalations in the period under review (neither when the parliament revoked the TIPNIS compromise in 2017, nor in the case of lithium extraction in the Salar de Uyuni), there still is enough potential for conflict in the future (e.g., around new gas projects in the Chaco, or the future of water supplies). In contrast, since 2016, the political conflict between the governing MAS and its supporters and the fragmented range of opposition forces has again produced polarization. The key polarizing issue concerns the candidacy of Morales for a fourth term, which the opposition (and a majority of the population) sees as clearly in violation of the constitution.

Conflict intensity



II. Governance Performance

14 | Steering Capability

The strategic priorities set by the Morales government are not inconsistent with liberal democracy and a market economy. With regard to democracy, the Bolivian constitution of 2009 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. Practically, the Morales government has been more concerned with the substance than with the form of democratic decision-making or with the rule of law, and it has clearly prioritized vertical over horizontal accountability, at least as long as it seemed fit. The disregard and contempt the government and the MAS have had, since 2016, for the result of the binding plebiscite, voting down a constitutional change that would have allowed Morales another run for the presidency, have violated as much the substance of democracy as they have denied vertical accountability.

With regard to the economy, the government does not see the market economy as the primary – let alone the only – game in town. It aims at regulated markets encompassing 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 in the constitution. This particularly includes an emphasis on state intervention and participation in the economy.

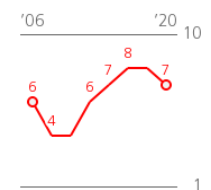
With these qualifications, the Morales government has set strategic priorities and maintained them for more than a decade. In view of the scope of the political changes prioritized, and the resistance by powerful defenders of the status quo, the government has proved remarkably capable of pragmatically 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 many inconsistencies, internal contradictions and problems could be mentioned, in terms of its main strategic priorities, the balance of the Morales government has been remarkable (e.g., the integrating potential of the new constitution, flexible renegotiations with transnational companies, new social programs, parts of its agrarian reform, and, not least, the contested transformation of the “war on drugs” to a more cooperative mode, as established by the new coca law of 2017).

Since 2008/09, the government’s strategic priorities have shifted more from enacting change to sustaining achievements. In this context, the government has had to

Question
Score

Prioritization

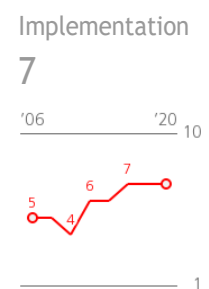
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confront increasing opposition from former allies, but, at the same time, encountered cooperation from its former opponents. In more recent years, and particularly in the period under review, in a number of cases, the policies of consolidating the “revolutionary” project of (neo-)developmentalist modernization appear to have degenerated into mere techniques for the MAS and Morales to preserve power, at times, “at all costs.” as in the case of the of the Morales candidacy. More often, the MAS and Morales give up strategic priorities in favor of muddling through, in order to avoid contestation and loss of support, as in the case of the strike by medical workers in January 2018. The overall capacity of the government to define and maintain its strategic priorities has been impressive for many years, but has increasingly lost momentum and significantly declined of late. Moreover, it still depends on key individuals, and is not adequately complemented by institutional and administrative capacities.

Overall, the government has been remarkably effective in implementing its major policy priorities. With regard to the original agenda, its principal goals have either been realized or the process of implementation has begun. However, effective implementation of individual policy measures has been hampered by many political and administrative problems and also by internal conflicts. In political terms, the government’s antagonizing rhetoric, its lack of respect for procedure, and the instrumentalization of social movements and lawsuits in political contestation 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 of the government is at times contradictory, particularly when it comes to reconciling its neo-developmental, neo-extractivist orientation with its emphasis on indigenous and environmental concerns. In administrative terms, the Morales government had to cope with weak institutions and administrative capacities that were reinforced by the profound restructuring of institutions and personnel; improvised decision-making and series of inconsistencies became unavoidable.

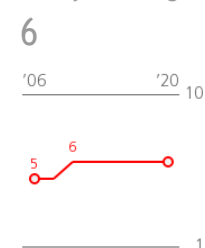
A key problem area is the judiciary, which has been substantially restructured by the constitution of 2009. Here, the government has recently launched another effort to reform the judicial system (with uncertain prospects). So far, the government has also been notoriously inefficient with regard to effectively organizing Bolivia’s water supply, and particularly the public water sector (the water control authority, AAPS, and the state water company, EPSAS). In 2017, the president announced significant investments in three new water reservoirs for the La Paz-El Alto metropolitan region, and the respective mayors launched a proposal for a new metropolitan public water company. Some principal projects just took time. For instance, it took more than ten years for the new coca law to be passed in March 2017, abolishing the previous one of 1988 that had been the main issue of conflict between the state and the “cocalero” movement from which the MAS emerged. The new law, while continuing to commit Bolivia to fighting the narcotrafficking of coca, raised the legal limit from 12,000 to



22,000 hectares, declared coca a “national heritage,” and established government support for legal coca production and export. Serious delays, blockades, technological problems, lack of investment (national as well as foreign, often due to conflicts with the government), overall stagnation and uncertainties have also slowed down a number of important projects in resource industrialization, some smaller ones in the agro-industry, and two intensely publicized “lighthouses”: the iron and steel works at Mutún, near the Brazilian border, and the projects aiming at large-scale industrialization of the lithium reserves in the Salar de Uyuni. In both cases, however, the year 2018 has marked (again) a new beginning. In July, Sinosteel Equipment (from China) began construction work at Mutún and announced the start of operations would occur in 2020, and in October a new joint venture of two German firms (ACI Systems, K-Utec) with the official Bolivian company, YBL, was announced to mine and process lithium at Uyuni.

As in previous years, there is scant evidence for institutionalized mechanisms of policy learning in Bolivia. Innovation and flexibility emerge instead through trial and error or simply muddling through. Under the Morales government, the political leadership has frequently begun with maximalist and often polarizing positions, only to shift later to a search for compromise and pragmatic solutions. In a number of areas, this strategy has been successful, but has at the same time contributed to polarization. In any case, the administration’s approach has generally involved adaptation rather than learning systematically from past experiences through effective monitoring and evaluation. Thus, the balance is mixed. On the one hand, the government has often reacted in flexible ways, revising decisions, drafts and plans, and compromising whenever it encountered determined resistance. On the other hand, the government and the MAS have increasingly, and particularly in recent years, tended to ignore critical objections, and have regularly insisted on polarization and mobilization instead of moderation and dialog.

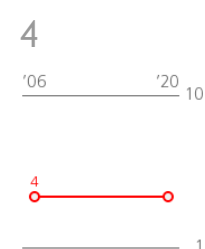
Policy learning



15 | Resource Efficiency

The situation has not changed much in the period under review, as the government makes efficient use of only some of the available resources. Bolivia’s public administration is, on the whole, overstaffed, under-professionalized, inefficient and persistently plagued by corruption and clientelism. Personnel turnover is high at all levels. Recruiting procedures lack transparency and are not shielded from political influence, and the reform of public administration has low priority. Financial and organizational resources are scarce. The budget had been balanced most of the time since 2006, but has moved into deficit since 2015 due to declining revenues, which so far have been compensated for out of the substantial reserves accumulated during the boom years. The level of government consumption has more or less remained steady, and the expanded social programs (and most of their implementation) are still considered a success. Public and external debt levels increased again. While the

Efficient use of assets



efficiency of public spending in general saw little improvement during the period under review, the government has reported significant increases in its capacity to implement its public investment programs (e.g., using its Integral Planning System enacted in 2016). In a number of significant cases, however, it has not delivered.

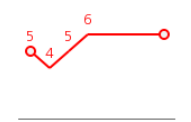
The government has to coordinate a broad spectrum of conflicting objectives, as the various groups and factions within the governing MAS (and its allies) pursue different, often particularistic and contradictory interests and values. On the whole, the Morales government has been relatively successful in balancing conflicting claims. However, in recent years, conflicts have increasingly multiplied and the government has often been ineffective at handling them. In a significant number of conflicts, the government has been eventually forced to concede to the protestors' demands. Institutionally, coordination between different governmental departments and agencies has remained limited, and much of present government mismanagement in a number of sectors (e.g., water supply, medical workers, the penal code) has been due to lack of coordination. The government's capacity to coordinate conflicting objectives, to a great extent, is based on informal modes of negotiation, and depends very much on the availability of financial resources to mitigate protests. As such resources have declined lately, social conflicts have multiplied and persisted since 2016. In addition, the government's capacity for coordination also depends very much on personalistic factors (i.e., on the negotiating skills and the standing of President Morales, and, to a lower degree, Vice President García Linera).

Corruption is widespread at all levels of society and this has not changed significantly during the review period. According to the Latinobarómetro survey, in mid-2018, Bolivians saw corruption as the second most important problem of their country, behind unemployment; 63% said that corruption had increased during the last year, and 42% saw the president and his entourage as directly involved in corruption. This reflects the fact that indeed, during the period under review, major corruption scandals have continued to involve important persons and institutions of the government and of the entourage of the president, as in the cases of a number of high officials and a former lover of Morales, who were implicated in a \$507 million scandal involving government contracts with the Chinese engineering company, CAMC. The lover, in May 2017, was sentenced to ten years in prison, while no evidence was found to implicate the president in the case. When corruption charges become public, officials are usually dismissed, investigated and prosecuted. The government has also, since its beginning, launched selective anti-corruption campaigns against current and former officeholders. Also, the institutional and legal framework to fight corruption has been strengthened and expanded. In 2006, a new Vice Ministry of Institutional Transparency and the Fight against Corruption was established (upgraded to full Ministry in 2009, demoted again to Vice Ministry in 2017), and the Constitution of 2009, the anti-corruption law of 2010 (establishing a National Council against Corruption, Illicit Enrichment, and Money Laundering) and various executive orders have added to the institutional toolbox, but not produced substantial improvements. Attempts to address the lack of transparency and the

Policy
coordination

6

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Anti-corruption
policy

4

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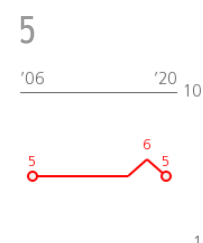
structures of patronage behind the scandals have remained limited. Auditing of state spending is still inefficient. The same applies to the regulation of party financing, and citizen and media access to information has often been problematic (see above).

16 | Consensus-Building

Although no major political actor openly calls into question the democratic order, there is profound disagreement concerning the proper conception of democracy. The 2008 agreement in Congress on the revised draft constitution (supported by important segments of the opposition) has, however, demonstrated, that it is possible to find a middle ground acceptable to most major political actors (and social groups). In fact, recent years have not seen attempts to fundamentally challenge the existing political order. Yet, this relative lack of outright contestation does not reflect a normative consensus, but rather a pragmatic acceptance of the balance of power, recognizing the need to uphold the democratic order, intrastate peace and the unity of the country. The details of democracy, the proper relationship between 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 justice; and the models for decentralization and autonomy: all these are still heavily contested issues. Despite disputes over interpretations, the 2009 constitution has, on the whole, become the accepted normative framework for most political actors. Concerning the one key issue of constitutional term limits, this has however changed significantly since 2016, when the MAS and the government began to openly contest the results of the referendum on a constitutional change with regard to reelecting the president, and to launch a campaign to secure another term for the sitting president, contravening the constitution.

Similar constellations apply 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. Overall, however, opinion polls and electoral results suggest that the governmental position in this contest does represent the view held by the majority of the population and by a broad range of civil society organizations, whereas both the anti-extractivist and the neoliberal reform agenda attract the support of minority groups only.

Consensus on goals

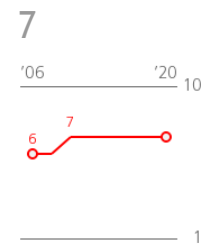


There are no significant anti-democratic veto players. The military has explicitly refused to consider coups (a regular practice until the early 1980s). The most important potential veto players under the MAS government, the regional autonomy movements in the eastern lowlands, particularly in Santa Cruz, included some anti-democratic forces. For some time, they (even violently) resisted the democratically elected central government and pursued secessionist plans, after the open crisis of September 2008 (which the government regarded as an attempted “civil coup”). They have found their way back into the camp of practical democratic contestation about institutional change, and compromise on business. The anti-democratic groups within the governing MAS and its allies so far have remained marginal. At the same time, undemocratic practices and a lack of respect for democratic procedures are common among most political and social actors. Anti-democratic actors can also be found in various groups involved in the drug economy/organized crime, which escape state control and influence state institutions and policies, but do not present themselves as political veto actors.

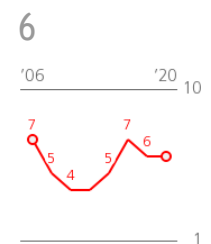
Bolivia is a notoriously cleavage-ridden country (with political, social, cultural/ethnic and regional cleavages overlapping, as well as dissociating, over time). The balance of the Morales government on moderating cleavage-based conflict has been mixed and selective, with ups and downs during its 13 years in power. During its first years, the government showed remarkable potential for moderating cleavage-based conflict, despite the fact that all political actors (including the MAS and its allies) at the same time contributed to polarization. During recent years, however, the government appears to have increasingly lost momentum in managing escalating cleavages. During the period under review, we have to state that it no longer prevents cleavage-based conflicts from escalating, but even actively contributes to escalation, as in the case of the unconstitutional reelection campaign (if we conceive of the pros and cons as a political cleavage).

That said, we also have to differentiate. First, the nature and political implications of the cleavages have changed, and second, the capacity of the government to moderate conflicts has also been different in different sectors. The polarized conflict between the indigenous and poor majority population represented by the MAS and its allies, and the “old” elites represented by the regional autonomy movements and the “liberal” opposition parties, has mostly given way to a much more complex setting of multiple cleavage-based, but mostly issue-, sector- and/or area-specific conflicts. While the MAS, from the outset, has drawn much of its strength from its capacity to at least partially bridge some ethnic, social and regional cleavages (attracting, for instance, indigenous populations in the Media Luna, as well as urban mestizo and middle-class populations in the highlands), in recent years, existing cleavages have blurred, and new ones have emerged. According to the LAPOP 2017 AmericasBarometer, particularly ethnic identities in Bolivia appear to be much more fluid and dynamic than assumed, and political polarization is near the Latin American average. In addition, since 2010 new splits and tensions have occurred (e.g., between

Anti-democratic actors

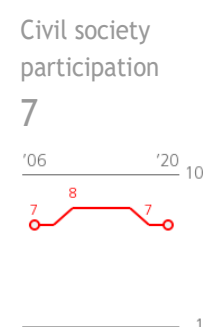


Cleavage / conflict management



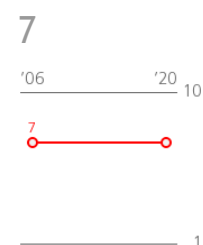
indigenous peoples from the lowlands and (migrant) small farmers (colonos, coccaleros) from the highlands) and important parts of the indigenous movements no longer identify with the MAS. In the 2014 elections, support for the government in its highland strongholds tended to decrease (in the 2016 referendum they even lost the traditional stronghold Potosí), while it did impressively well in the Media Luna region. Another split affecting the MAS and the government arose from open conflict between the traditional Trade Union Federation of Bolivian Mine Workers (FSTMB, mostly state miners) and the Federation of Cooperative Miners (FENCOMIN). While the government has pursued an increasingly cooperative strategy in dealing with (agro-)business elites in the eastern lowlands or the demands of the coccaleros (whose union is still presided over by Morales), confrontational strategies and rhetoric have persisted in other conflicts (e.g., cooperative miners, medical workers). The highly controversial issue of Morales's reelection will further polarize the country in 2019.

Under the government of the MAS, civil society participation has become much broader than under previous governments and is relatively high by international standards. The political leadership takes into account and accommodates the interests of civil society actors. The state even assigns an important role in deliberating and determining policies to “organized civil society” (as the 2009 constitution states). In practice, this is, however, done only selectively, and often by informal means. Whereas previous governments would have consulted organizations of the established urban elites, the economic associations and to some extent the unions, the Morales government has given more consideration to the various groups of the “popular sectors,” including indigenous and social movement organizations, and trade and small farmer unions. There are basically three channels for civil society participation: through the MAS party, which operates as an umbrella organization of social movements; through direct representation of movement leaders in government or parliament at various levels; and through informal negotiations. Though the constitution and the corresponding law on participation and social control of 2013 guarantee far-reaching (but vaguely defined) rights to civil society participants, institutionalization has been lagging behind. The extent of participation is often politically framed and depends more on the goodwill of the government (which has been declining in recent years) and/or the power to force the government's attention by mobilizing resistance than on established procedures. This also applies to the indigenous peoples' right to “prior consultation” (also recognized by the constitution). Indigenous consultation rights (particularly with regard to the expansion of extractivist industries) have often been neglected and increasingly interpreted in restrictive ways; in the hydrocarbons sector, for example, a presidential decree in 2015 introduced narrow time frames and extensive government control over consultation processes.



In December 2016, parliament established a Truth Commission tasked with clarifying crimes committed during the various military dictatorships between 1964 and 1982, including the particularly severe human rights violations committed by the government of Luis García Meza (1980/81), and declassified official documents from the military, the police and other authorities in order to facilitate the reconstruction of events. Thus, the state hoped to respond to the claims made for many years by victims' organizations and human rights groups. In 2015, the government had already announced the creation of a genetic data bank to help identify victims of disappearances. These measures are, however, not so much about achieving reconciliation between the victims and the perpetrators of past injustices, as about establishing the truth, fighting impunity and offering adequate reparation to the victims. A number of more recent acts of injustice and human rights violations have been brought before the regular judicial authorities, most notably the trial of former Pando prefect Leopoldo Fernández for the "massacre of Porvenir" in 2008, and the prosecution of former President Sánchez de Lozada for the violent repression of protests in the context of the "gas war" of 2003. With a view to the latter case, Bolivia continues to demand Sánchez de Lozada's extradition from the United States, which has been criticized as "politically motivated" by the rightist opposition. The government's aim here indeed is not reconciliation.

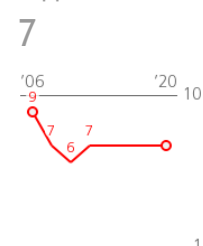
Reconciliation



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. Bolivia's dependence on external (financial) support has, on the whole, been significantly reduced, but has increased again in recent years, due to the need to cover revenue and budget deficits. According to OECD 2018 data, Bolivia, in 2016, ranked fifth among ODA recipients in Latin America with \$696 million net disbursement (less than in 2015, and more than in 2014). The most important donor for years has by far been the Inter-American Development Bank followed by the World Bank's International Development Association; ODA by the European Union, Switzerland and Germany has also been at significant levels. According to the EU Commission, Europe's partnership with Bolivia has become "stronger than ever" with the enactment of a €530 million strategic joint cooperation framework between the EU and its member states (plus Switzerland) and Bolivia created in May 2018. In contrast, the role of the U.S. has been reduced dramatically under the Morales government (which expelled USAID from the country in 2013). Bolivia has also benefited from financial assistance and loans from new donor countries, most importantly from China. Donors have, at least officially, aligned their priorities with the government's National

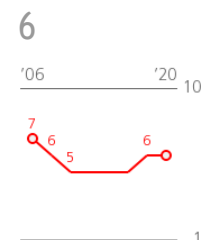
Effective use of support



Development Plan, outlining long-term development strategy. An effective use of international support is, however, still limited by the low institutional and professional capacities of the Bolivian agencies and public administration in general.

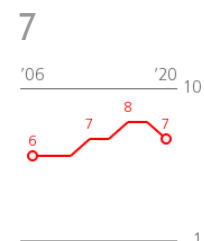
Bolivia is an active and reliable member of various international organizations at the regional and global level. It has joined and ratified most existing international agreements and is in general compliance with most international norms. Exceptions include the Morales government's explicit refusal to accept international investment dispute settlements and its rejection of the prohibition of the coca leaf by the Single Convention on Narcotic Drugs (and hence its withdrawal from the respective conventions). Instead, Bolivia has, after long deliberations, regulated its coca production unilaterally by the new coca law of March 2017, which also commits the country to continue to cooperate in fighting the narcotrafficking of coca. The Morales government has also pursued cooperative relations with most of the international community in most policy areas; in some areas they have even been quite active (e.g., climate change, G77, seat on the U.N. Security Council in 2016). Quite confrontational, however, and characterized by mutual mistrust has been Bolivia's relation with the U.S. government. 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 (to which the U.S. retaliated by, so far continuously, "decertifying" Bolivia, against all evidence, for failing "demonstrably" in its counternarcotics efforts). With regard to international trade, the Morales government usually rejects bilateral trade agreements, but has joined regional initiatives such as Mercosur, ALBA and others. Most countries around the world, and particularly those of the Non-Aligned Movement, appear to conceive of Bolivia as a minor, but mostly credible and reliable partner. Some northwestern governments, private investors, a number of human rights organizations, and the recent right-wing governments in the region have tended to be more skeptical.

Credibility



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. Bolivia has signed up for full membership in the Mercosur in July 2015 (final ratification still pending), and it is also a member of the Andean Community, UNASUR, ALBA-TCP, ALADI, SELA, and the OAS. With its neighbors, Bolivia has mostly cooperative and friendly relations, though the election of right-wing governments in several states and Morales's loyalty to the Maduro regime in Venezuela have recently tended to put a strain on its relations with key neighbors. With Peru, it has even started to try to coordinate anti-drug policies. The group of Latin American states, in 2016, nominated Bolivia for one of the non-permanent seats in the U.N. Security Council. The only exception is Chile, with which relations have traditionally been affected by the Bolivian demand for access to the Pacific (lost after the Pacific War, finally in the peace treaty of 1904). Diplomatic relations were broken off in 1978 and never restored. After more than two years of intense propaganda and mobilization ("El Libro del Mar," missions to the OAS, picketing lines, etc.), Bolivia took its cause (once more) before the International Court of Justice in The Hague, demanding that Chile negotiate "sovereign access of Bolivia to the Pacific Ocean," but, in October 2018, was rejected by the court, which stated that Chile had no obligation to negotiate whatsoever. Another case still pending (Silala River) also does not look promising.

Regional cooperation



Strategic Outlook

At the beginning of 2019, Bolivia is in the midst of a period of increasing political and economic uncertainties. During most of the year, everything will be overshadowed by the campaigns for the presidential and the parliamentary elections scheduled for October 2019, and much will depend on the outcome of the elections. At the time of writing this report, it appeared highly unlikely that the MAS would be able to repeat its two-thirds majority in parliament. The strongest opposition candidates for the presidency were Oscar Ortiz of the center-right alliance, Bolivia Dice No, and Carlos Mesa of the center-left alliance, Comunidad Ciudadana. Given the fragmentation of the opposition and the high standing (albeit diminished) of the president, the most likely outcome of the elections is another reelection of Morales. But even a convincing victory in terms of numbers will not heal the severe problems of democratic legitimation that come with a candidacy that openly violates the constitution and ignores the 2016 referendum. With the highly contested and unconvincing ruling of a willing Constitutional Court in 2017 that allowed Morales to run again, democracy in Bolivia has become more defective than it already was.

Whether this will threaten the country's stability is an open question. It will depend on the (rest of) fairness of the elections, the margin of victory of the MAS (or its acceptance of a loss), and its efforts to cope with constitutionality, and also on the strength and determination of the opposition, and on the willingness of both to avoid increased polarization. The prospects for the latter, however, do not look promising, as the traditional left/right cleavage between the groups of the "popular revolution" around Morales/the MAS and the "old elites" is still very much alive and contentious. Open contestation between various groups of the MAS and its (former) allies and many traditional conflicts (mostly with local unions, miners, peasant or indigenous groups) have added to rising levels of conflict. The third line of conflict, on Bolivia's developmental model, between extraction-based neo-developmentalism and a post-extractivist agenda in line with indigenous and environmental rights, has been gradually heating up, but still may not shape the campaigns of 2019.

The outcome of the political developments will also depend on the economy, particularly on how long the government will be able to continue its policies of increasing public investment and more inclusive social services and distribution. Thus far, the fall in global commodity prices and the decrease in fiscal revenues since 2015 have not endangered these policies in principle. The longer this situation continues, however, the more the government's investments and cash transfers will have come under pressure. Also, the government's room for maneuver in domestic politics has been reduced, particularly in terms of its capacity to respond to social protest by making generous concessions. In addition, Bolivia's increasing isolation in the regional context, due to the elections of right-wing governments in key neighboring states and to the crumbling Maduro regime in Venezuela, might even make the country's gas exports insecure.

In principle, Bolivia would have significant assets to build on: Its economy appears comparatively robust with regard to growth and perspectives; the new joint cooperation framework with the EU

looks promising; some projects in resource industrialization have found a new beginning; and with better conditions, an increasing number investors might be attracted to prospecting for new gas reserves. Also, the political potential of a relatively broad practical consensus and a flexible and not openly contested constitution has so far been remarkable. All this could, however, be jeopardized if the political actors and social groups do not defend and develop the constitution further (including cooperation between the various levels of government and respect for the judiciary), and do not do their homework in a number of still problematic fields, like: the institutionalization of reliable modes of participation, consultation and accountability, instead of the dominant informal negotiating modes; providing sufficient investment for essential infrastructure and social services; and reducing resource (and export) dependency by diversification and industrialization of resources, as well as by increasing domestic revenues (through tax reform). Too much of a polarizing and violent campaign in 2019, too many violations of the rules, and too much of the traditional personalistic power plays might set back Bolivia for years.