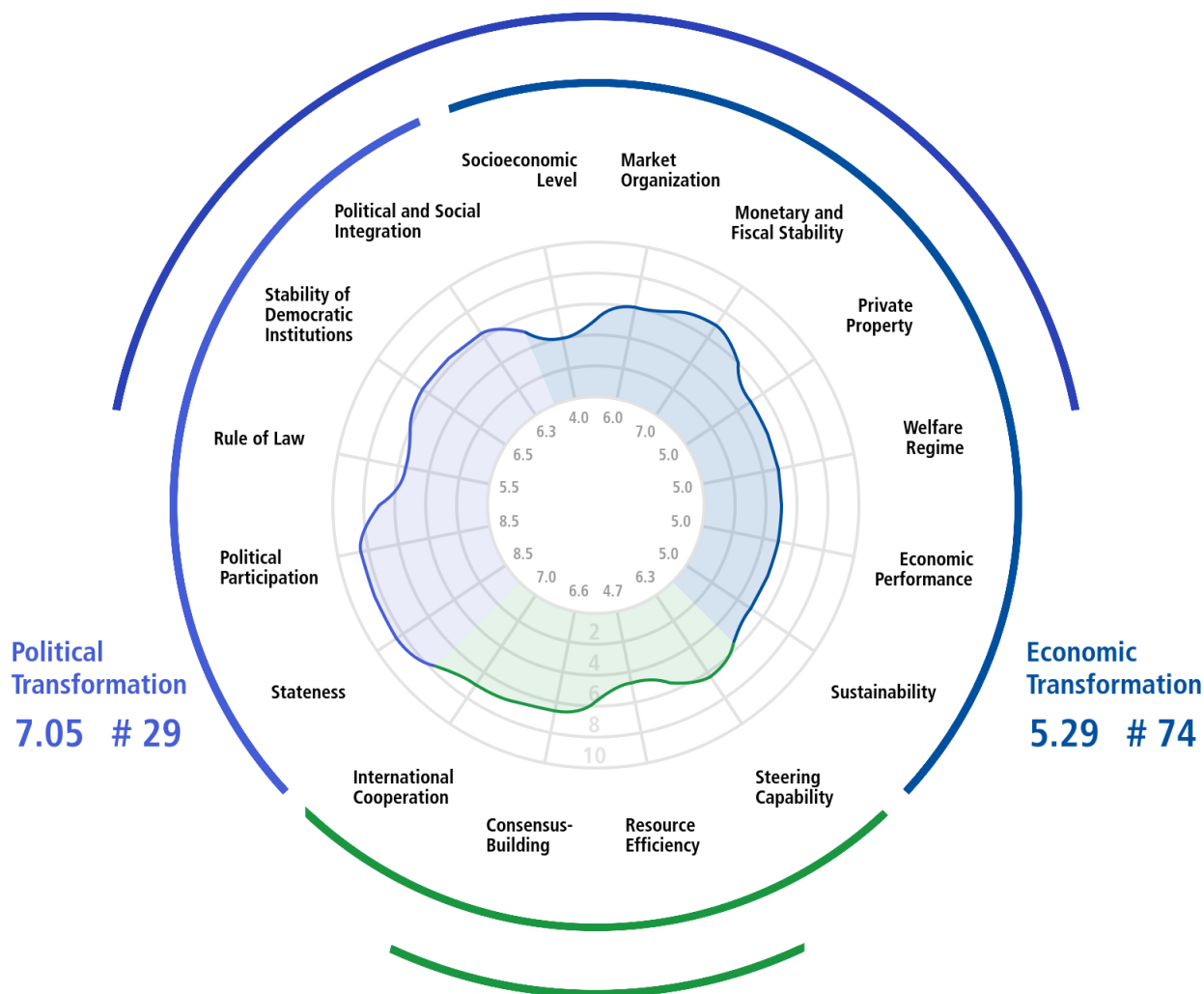


Bolivia

Status Index

6.17 # 45

on 1-10 scale out of 137



Political Transformation
7.05 # 29

Economic Transformation
5.29 # 74

Governance Index

5.54 # 39

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	11.7	HDI	0.718	GDP p.c., PPP \$	8367
Pop. growth ¹	% p.a.	1.4	HDI rank of 189	107	Gini Index	41.6
Life expectancy	years	71.5	UN Education Index	0.695	Poverty ³	7.8
Urban population	%	70.1	Gender inequality ²	0.417	Aid per capita \$	62.2

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. 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 years under review (2019 to January 2021) have been highly turbulent, featuring two dramatic political about-turns and the COVID-19 pandemic, which has exacerbated an already difficult socioeconomic situation. In 2019, Evo Morales, who had governed Bolivia since 2006, tried to secure a fourth term as president. The candidacy itself had already sparked significant resistance, given that it was based on a highly controversial interpretation of the constitution by the Constitutional Court and effectively ignored the popular will as expressed in a 2016 referendum. After the elections of October 2019, serious allegations of electoral fraud provoked mass protests. These protests, which were supported by the political opposition and later the police, forced Morales to accept an electoral audit by the Organization of American States (OAS), then to agree to new elections and, finally, to step down and flee the country. This coerced resignation of an elected president, at the “suggestion” of the leadership of the military, resulted in the assumption of the presidency by conservative vice president of the Senate, Jeanine Áñez, and had at least some coup-like features, even if it lacked an open breach of the constitutional order.

After a serious escalation of conflict, interim president Áñez and the parliamentary group of Morales’s Movement Toward Socialism (MAS), which still controlled the legislative assembly, agreed on a path toward new elections. While these new elections, which were originally scheduled for May 2020, were postponed twice in response to the COVID-19 pandemic, they eventually took place in October 2020 and – with a landslide victory of Luis Arce – brought the MAS back to power. With the assumption of a democratically elected government in November 2020, the open crisis of Bolivian democracy came to an end. Yet, significant political problems remain, including a high degree of political polarization and a serious crisis of the judiciary.

Already before the COVID-19 pandemic reached Bolivia in March 2020, the economy had faced increasing difficulties. Since 2015, the fall in global commodity prices, which particularly affected Bolivia’s most important export goods (hydrocarbons and minerals), had caused rising deficits of the current account and the fiscal budget. In this context, the MAS government’s neo-

developmentalist modernization strategy that relied on the primary sector to promote state-led, socially inclusive development with high levels of public investment and an active social policy, became increasingly unsustainable.

These macroeconomic problems have been massively exacerbated by the pandemic and the measures taken by the Añez government in order to contain the spread of the coronavirus. As a result, in 2020, Bolivia has seen a severe economic downturn and a significant deterioration in social indicators. The socioeconomic consequences have been particularly harsh because of the significant size of the country's informal sector and the structural limitations of its social security nets. The management of the coronavirus crisis has been marred by serious corruption scandals, by poor administrative capacities, and by political controversies between the interim government and the MAS-controlled parliament. Still, a couple of fiscal measures, including direct relief payments, have somewhat mitigated the socioeconomic effects of COVID-19.

History and Characteristics of Transformation

Bolivia is one of Latin America's poorest countries, with enormous disparities between its geographically, ethnically and economically heterogeneous regions. 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 majority of the population with indigenous roots 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 revolution brought agrarian reform, the nationalization of the large mining companies, universal suffrage without literacy requirements and a wide range of social policy legislation to the country. Between 1964 and 1982, civilian and military governments alternated in power. After 1982, a short and negotiated transition to democracy led to a relatively long period of uninterrupted democratic institutional stability that lasted from 1985 until President Sánchez de Lozada's forced resignation in October 2003. This period was characterized by the dominance of three political parties that governed in changing coalitions and implemented a series of market-oriented reforms. Since the late 1990s, however, indigenous and social movements increasingly challenged this elite-centered "pacted democracy." In December 2005, a series of mass protests culminated in the election of Evo Morales who became the country's first head of state of indigenous origin.

In office, Morales and his MAS party 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. The new constitution, adopted by referendum in 2009, recognizes Bolivia as a "plurinational" state and contains a broad range of political and civic, social and economic as well as collective indigenous rights. In terms of economic and social

policies, the Morales government increased the role of the state in the economy. Based on rising revenues from hydrocarbons and mineral resources, social spending and public investment were expanded. Also, during the first years of the MAS government, an emphasis on agrarian reform has led to important gains in the titling and redistribution of land. During these years, which were characterized by an unprecedented economic boom, poverty rates fell dramatically, and socioeconomic inequality was also reduced significantly. With a view to the structure of the economy, however, the desire to reduce the country's dependency on commodity exports by pushing for an industrialization of extractive resources (gas, minerals, lithium) has yielded only limited results. In fact, the fall in commodity prices underway since 2015 has revealed Bolivia's continuing dependency on the primary sector.

In its first phase, the Morales government successfully broke the fierce opposition from the old political elite and, most notably, from conservative autonomy movements based in the southeastern lowland administrative departments. Since the elections of 2009, the MAS could also govern with a two-thirds majority in both houses of parliament. The years between 2016 and 2019, however, saw a revival of the opposition, which got a major boost by the 2016 referendum, in which a narrow majority voted down the proposal to allow Morales to run for a fourth term in 2019. The decision by the MAS to have the constitutional court allow Morales's candidacy anyway, further reduced the legitimacy of the government.

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

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force is not openly contested. However, the state's actual presence is not uniformly robust in all parts of the country. In a number of marginal regions of the country, the actual presence of the state is limited and, in some areas, landowners, narco-traffickers or local community organizations are de facto the most important authority. A strong potential for insurgent radical regionalism with Catholic-conservative values still exists in the Eastern province of Santa Cruz. Strikes or noncompliance with orders on the part of the national police 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 (e.g., with regard to the recognition and rights of indigenous "nations and peoples" vis-à-vis the "Bolivian nation"), but it is no longer actively challenged by any major group. There is also no disagreement within Bolivia as to who qualifies as a citizen. Citizenship is basically seen as an inclusive concept, and access to it is not denied to any particular group. The 2009 constitution contains far-reaching citizenship rights, including economic, social and cultural rights. However, de facto access to socioeconomic citizenship rights is still limited for the indigenous population and for the Afro-Bolivian minority.

The 2009 constitution defines the Bolivian state as independent of any religion, eliminating the special status granted to the Catholic Church by previous constitutions. Religious dogmas have no noteworthy influence on the legal order or political institutions. Religious groups – the Catholic Church in particular, and increasingly evangelical groups – are, however, relevant interest groups that influence societal and political debates.

Question
Score

Monopoly on the
use of force

8

'06 '22 10



1

State identity

9

'06 '22 10



1

No interference of
religious dogmas

10

'06 '22 10



1

There are functioning administrative structures throughout the country, although the state's physical and administrative infrastructure is limited in marginalized areas. According to World Bank 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%. Infrastructure remains relatively poor, but has seen significant improvements under President Evo Morales (2006 - 2019). Limited administrative capabilities and resources, a lack of professionalism, politicization, inefficiency and corruption, all restrict the functioning of the judicial system, law enforcement and tax collection. Prisons are severely overcrowded, with reportedly approximately 70% in pretrial detention. Indigenous (community) justice systems (officially recognized by the 2009 constitution with a status equal to ordinary law) provide judicial functions, but at times also lead to tensions with ordinary state law.

The COVID-19 pandemic has not led to an enduring disruption in service provision.

2 | Political Participation

Political representatives are determined by general, free, fair and competitive elections. There is universal suffrage with a secret ballot. The right to campaign for elective office exists, and multiple parties with different platforms are able to run. Voter turnout is high. In general, the results of elections and referendums are not questioned. Under the 2009 constitution, the members of the highest judicial tribunals are now also elected by popular vote.

These overall characteristics notwithstanding, the general elections of October 2019 gave rise to serious allegations of electoral fraud and were, eventually, annulled. While contradictory reports and assessments, including by a mission from the Organization of American States (OAS), have failed to produce reliable evidence of any significant electoral fraud, the vote count in 2019 was, indeed, characterized by serious irregularities. Since then, a restructuring of the Tribunal Supremo Electoral (TSE) has re-established what used to be a relatively impartial and professional electoral management body. In response to the COVID-19 pandemic, the TSE postponed new elections twice in 2020 (first from May to September, then from September to October). When they were eventually held, on October 18, 2020, they were free and fair, featuring media access and registration procedures, and took place without any serious irregularities. As the MAS had succeeded in uniting behind the presidential ticket of Luis Arce and David Choquehuanca, the anti-MAS camp had quickly disintegrated into opposing factions after the 2019 "coup." Arce (55%) prevailed over moderate-right Carlos Mesa (29%) and the candidate of the far Right, Luis Fernando Camacho (14%), in an undisputed victory; the MAS party also won a majority in both chambers of the Legislative Assembly.

Basic
administration

7

'06 '22 10

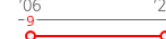


1

Free and fair
elections

9

'06 '22 10



1

On the whole, elected rulers have effective power to govern. Nationwide veto powers or political enclaves do not exist. Under the Morales government, the influence of the clergy, landowners, business elites and external actors (e.g., United States government and international financial institutions) declined significantly. The influence that remains, in general, reflects the fact that – as in any democracy embedded in a highly unequal, capitalist society – social groups and actors that control economic resources have disproportionate political influence. In Bolivia, this influence on the part of wealthy groups and actors is partially balanced by highly mobilized organizations representing the interests of the lower classes (i.e., the “popular sector”), who, at times, exercise a kind of veto power.

The freedoms of assembly and association are constitutionally guaranteed and not restricted in principle. Under both the Morales government (2006 – 2019) and the interim government of Añez (2019 - 2020), civil society organizations that were perceived as belonging to the opposition were subject to attacks, intimidation and administrative harassment. With regard to the Arce government (since November 2020), no significant complaints have been voiced to date. In the context of protests, observers regularly note the disproportionate use of repression and police violence. Under interim president Añez, this temporarily escalated into serious violent incidents – such as in Sacaba (Cochabamba) and Senkata (El Alto) in November 2019, which have been classified as “massacres” by the Inter-American Commission on Human Rights.

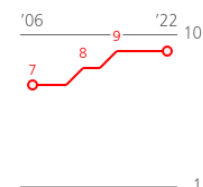
In the context of the COVID-19 pandemic, the nationwide lockdown declared in March 2020 included far-reaching restrictions on the right to assembly. These restrictions, however, have remained temporary and were generally applied in line with international human rights standards. Restrictions on mass gatherings ended in December 2020.

Freedom of expression is guaranteed by the constitution and generally observed. The media landscape is pluralistic due to a robust mix of state, private and church-owned 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.

Under president Morales, opposition-leaning private media were subject to attacks and harassment. In some cases, journalists have been 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 noted a climate of self-censorship in Bolivia. Under interim president Añez, the same dynamics could be observed but with different political targets, with the MAS-leaning community radios particularly under pressure. In March 2020, Añez issued a controversial decree that made misinformation in the context of the fight against the pandemic potentially subject to criminal charges; this decree was later revised and, finally, repealed in mid-

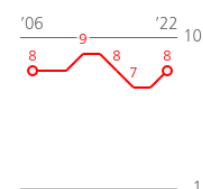
Effective power to govern

9



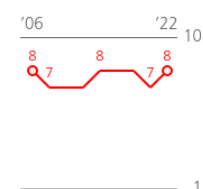
Association / assembly rights

8



Freedom of expression

8



May 2020. Since the inauguration of President Arce in November 2020, no significant incidents have been reported.

Freedom of information (and transparency) is guaranteed by the Bolivian constitution, but so far has not been implemented in legislation.

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 weak, with the independence of the judiciary being most precarious. On the one hand, this lack of horizontal accountability reflects entrenched practices of executive meddling in judicial and legislative affairs as well as general patterns of politicization, corruption and weak administrative capacities. It is also partly the result of 10 years of overwhelming political power in the hands of the governing MAS party. Between the general elections of December 2009 and the most recent elections of October 2020, the MAS has held a two-thirds majority in both chambers of parliament, which 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. In this context, judicial elections in 2011 and 2017 produced a judiciary that was generally deemed very close to the government.

Political changes since the failed elections of October 2019 have led to gradual improvements in checks and balances. First, the controversial change from the elected Morales government to the unelected interim presidency of Áñez, while seriously harming the democratic legitimacy of the executive, brought about a clear-cut separation of powers between the transitional government and the still MAS-controlled parliament. Second, both parties agreed to a restructuring of the highest electoral tribunal (TSE), which enabled the re-establishment of a relatively autonomous and professional electoral body. Third, the new president, Arce, can no longer count on a two-thirds majority in parliament, which significantly increases the power of the parliamentary opposition compared with the Morales years.

Furthermore, partially compensating the weaknesses in horizontal accountability, Bolivian democracy is generally characterized by relatively strong vertical checks and balances. These include formal checks and balances as exercised by subnational governments and through direct-democratic means, as well as the informal power exercised by social organizations and movements that monitor and balance the power of the central government.

Separation of powers

6

'06 '22 10



1

In response to the COVID-19 pandemic, in March 2020 the interim government declared a national health emergency. The sanitary emergency was later extended several times and officially ended at the end of November 2020. The corresponding decrees were based on the health code, which does not require parliamentary approval. In general terms, however, parliament continued to operate throughout the pandemic, exercising its control functions, which resulted in a number of conflicts between the interim government and the MAS-controlled legislative assembly. According to V-Dem's Pandemic Backsliding Project, Bolivia's response to COVID-19 was in line with core democratic and international human rights standards.

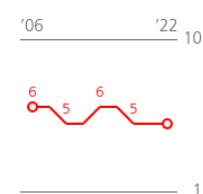
The judiciary is traditionally the weakest branch of the Bolivian government, and its independence continues to be restricted in practice. The election of judges to the highest courts by popular vote, as introduced by the 2009 constitution, has not changed this for the better. Given that the MAS, with its two-thirds majority in parliament, controlled the selection of candidates, the judges elected in the second judicial elections in 2017, like their predecessors elected in 2011, have been perceived as close to the government. In addition, several judges have been subsequently removed from office by parliament, further undermining what judicial independence remained. 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. Several attempts at reform have been made in highly publicized processes during the Morales administration, but all failed to achieve substantial change.

In response to this deep crisis of the judiciary, the new Arce government has initiated a reform process, which is conducted by Minister of Justice Iván Lima. An additional challenge concerns the jurisdictional boundaries and the coordination between the ordinary state judicial system and various indigenous justice systems.

Corruption is widespread and deeply rooted in Bolivia. Major corruption scandals during both the Morales government and the brief Añez administration confirm that even high state officials are directly involved. These scandals show that the media and the public are sensitive to corruption and that corrupt officeholders are held to account, both politically and legally, once such behavior becomes public. The institutional capacity and the political will to systematically uncover and prosecute corrupt and illegal practices is, however, limited. At the same time, governments have also used anti-corruption campaigns to selectively target political rivals.

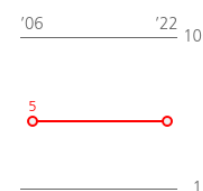
Independent judiciary

5



Prosecution of office abuse

5



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, the Ombudsman's Office, is in charge of monitoring and redressing human rights violations, but its effectiveness has been limited in recent years as it was generally considered overly close to the MAS.

In practice, civil rights are far from guaranteed. Most recently, the political crisis of October and November 2019 has been characterized by serious human rights violations. During the post-electoral protests against the MAS government, there was a lack of effective protection for vulnerable, exposed individuals against violent attacks perpetrated by non-state actors. Under the Añez presidency, international human rights organizations charged the national police and the military with excessive use of force. In this polarized context, existing mechanisms to prosecute, punish and redress such violations have proven highly politicized.

In structural terms, corruption, lack of administrative capacities and the de facto discrimination of socioeconomically marginalized, primarily indigenous populations, continues to hamper equality before the law, equal access to justice and due process under the rule of law.

As Bolivian prisons are hopelessly overcrowded, with about 70% of inmates in pretrial detention (often for years). Prisoners are faced with systematic violations of fundamental civil rights. Charges of torture leveled against the police and the military are not prosecuted.

Regarding indigenous justice systems, which are partially in tension with certain individual civil rights, the 2009 constitution gives clear priority to the right to life and defense along with other civil rights and guarantees. The corresponding law (Ley de Deslinde Jurisdiccional) is fairly restrictive with regard to the scope and limits of indigenous (community) justice. Still, in some cases, violations of fundamental civil rights (e.g., lynchings) continue to be (falsely) justified as expressions of community justice.

In terms of gender-based discrimination, a 2016 law grants transgender people the right to change their name and gender in official documents. Although same-sex marriage is not acknowledged officially by Bolivian law, in December 2020 the Constitutional Court recognized the right of same-sex couples to constitute a free civil union, referring to a ruling of the Inter-American Court of Human Rights.

In response to the COVID-19 pandemic, the government temporarily imposed severe restrictions on core civil freedoms, most notably on the freedom of assembly and the freedom of movement. According to V-Dem's Pandemic Violations of Democratic Standards Index, these restrictions have generally complied with international human rights standards, with the temporary exception of restrictions on media freedom.

Civil rights

6

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4 | Stability of Democratic Institutions

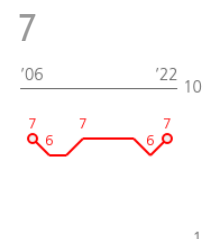
Since the forced resignation of President Morales and the controversial accession to office by former senator, Jeanine Áñez, in November 2019, Bolivian democracy has been in a state of severe crisis. With new elections held in October 2020 and the subsequent re-establishment of a democratically elected government, the open crisis of democratic institutions was resolved through democratic means. As a result, the ensemble of democratic institutions provided by the country's constitution is generally back in place. Still, structural weaknesses continue to limit the performance of the legislature and, most notably, the judiciary. It remains to be seen how the relationship between President Arce and the newly elected parliament, in which the MAS party no longer holds a two-thirds majority, will evolve. Additionally, both the new government and the main opposition parties have – once again – announced plans to fundamentally reform the judiciary.

In the context of Bolivia's complex system of “autonomies,” democratic institutions also exist at different subnational levels, the most important ones being the departmental and the municipal level. These institutions generally perform their functions but are also characterized by the same structural weaknesses and, at times, friction between the executive (governors or mayors) and the subnational legislatures.

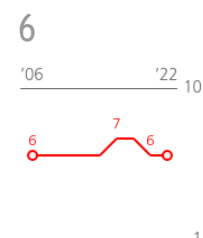
In recent years, the empirical legitimacy of Bolivia's democratic institutions has been severely eroded. With the re-election of President Morales in 2014, which was already based on a controversial interpretation of the constitutional term limits, and even more so with the politico-judicial maneuvers that enabled Morales to run for a fourth term in 2019, the opposition to the MAS in addition to increasing numbers of the population disputed the legitimacy of the elected president. These same sectors also viewed – with some justification – the judiciary as well as the electoral tribunal TSE as willful executors of the president's will. The forced resignation of Morales and the accession to office of interim president Áñez was celebrated by the heterogeneous camp of anti-MAS forces as a return to democracy after the alleged electoral fraud committed by the MAS. In contrast, the MAS, as well as a broad range of so-called popular sector organizations decried this change in power as a coup d'état. By striking agreements with the interim government, the MAS and key social organizations later de facto accepted Áñez. Still, they continued to regard her government as fundamentally undemocratic and, therefore, illegitimate. When Áñez decided to run for president in the following election, erstwhile supporters criticized what they saw as an abuse of her role as a caretaker president.

Regarding the government's response to the COVID-19 pandemic, national and international human rights organizations heavily criticized a decree that temporarily imposed severe restrictions on the freedom of expression. Except for this issue, however, the Áñez government has not used the pandemic to infringe upon core democratic norms or institutions, as confirmed by V-Dem's Pandemic Violations of Democratic Standards Index.

Performance of democratic institutions



Commitment to democratic institutions



Since the elections of October 2020, most democratic institutions are once again accepted as legitimate by most relevant actors. Almost all political forces quickly recognized the overwhelming electoral victory of the MAS. The notable exception was right-wing candidate Luis Fernando Camacho and his allies in Santa Cruz, including the Comité Pro Santa Cruz, who for some time denounced electoral fraud and tried to mobilize resistance in order to achieve an audit of the elections.

The judiciary, however, continues to be seriously questioned and is generally regarded by both the opposition and the government as in need of far-reaching reforms – even if the MAS does not precisely share the opposition’s main criticism that the governing party controls the judiciary.

5 | Political and Social Integration

At the national level, there is really only one relevant political party that can be described as such: the MAS. While not a unified political party but rather the “political instrument” of a number of powerful peasant organizations, the MAS is the only political force with a nationwide presence. It has deep social roots, in particular in rural and peri-urban areas in the highlands, and it displays a high capacity for aggregating a broad range of societal interests and concerns. During its many years in government, the MAS has become an increasingly hierarchical top-down organization and gradually lost support among a range of erstwhile allies. Paradoxically, however, its surprising loss of power in November 2019 triggered a partial renewal of the MAS and a certain reconnection with its constituencies.

The rest of the political spectrum is characterized by a high degree of fragmentation and voter volatility. Except for the MAS, Bolivian parties can, at best, count on regional or local organizational structures and/or social roots. During the October 2020 elections, the organizationally strongest opposition parties – Samuel Doria Medina’s Unidad Nacional (UN), the Movimiento Demócrata Social (MDS) of long-term Santa Cruz governor, Rubén Costas, and Soberanía y Libertad (Sol.bo) of La Paz mayor, Luis Revilla – all failed to make it into the new parliament. In contrast, the two forces that did – Carlos Mesa’s Comunidad Ciudadana and Luis Fernando Camacho’s Creemos – are loose electoral alliances, established with the primary objective of promoting the presidential candidacy of their respective leader. Neither Mesa nor Camacho tried to establish their own political party, but rather “borrowed” the names of existing ones (FRI and MNR, respectively). The upcoming regional elections of March 2021 will provide a first test for the prospects of these new political forces and their capacity to potentially displace - or build broader electoral alliances - with the more established local and regional parties.

For many years, Bolivia’s party system has been characterized by a high level of polarization between the MAS on the one hand, and the fragmented opposition on the other. This polarization has intensified with the political crisis of October and

Party system



November 2019, the months of the Añez government and continuing political campaigning. In this context of polarization, overall voter volatility has been remarkably low, with an absolute majority supporting the MAS and a third supporting the center-right opposition. Clientelism plays an important role in all political parties.

There is a broad range of interest groups that reflect the full array of diverse and partially competing social interests and values. The traditional economic elites are represented by business associations, including the national business confederation (CEPB) as well as influential regional business associations, in particular in Santa Cruz. In addition, Comités Cívicos, which represent regional interests, are also traditionally powerful vehicles of elite influence, at least in the lowlands. Organized labor is represented by a broad range of trade-union organizations (some of them with long and entrenched traditions of political conflict, like the miners), including the national labor association (COB) as well as sectoral and regional federations. The rural population is represented at the regional and national level by a series of peasant (e.g., CSUTCB) and indigenous (movement) organizations (e.g., CIDOB and CONAMAQ). The local level is characterized by a myriad of community or neighborhood associations.

None of these interest groups dominate the rest, but power is not distributed equally. As expected in capitalist societies, business associations benefit from their structural (investment) power. However, many organizations representing the lower classes (the so-called popular sector) and students display an impressive capacity to mobilize their supporters, while some can also use their direct influence within the governing MAS party.

Bolivian interest groups are usually highly politicized. The overall polarization, which has increased in recent years, is reflected in the relations between societal groups. In particular, the political crisis of October and November 2019 was marked by violent clashes between pro- and anti-MAS groups. But conflicts also characterize the relationship between explicitly indigenous organizations such as CIDOB and CONAMAQ, and more class-based organizations that represent peasants, including indigenous colonos.

In general, competition and rivalries between the different interest groups are pronounced, while the willingness to cooperate and compromise tends to be low.

Interest groups



According to Latinobarómetro data, support for democracy, which had significantly increased during the first years of the Morales government, has declined continuously in more recent years: from 71% in 2009 to 64% in 2016, 59% in 2017 and 53% in 2018 (still above the regional average of 48%). The same trend can be observed among those saying that democracy is comparatively the best political system: the percentage dropped from 74% in 2016 to 66% in 2018 (approximately the regional average). The authoritarian potential of those surveyed, however, continues to be low. In 2018, only 24% said that the type of political regime would not matter, and no more than 12% declared an authoritarian regime preferable to democracy (regional averages: 28% and 15%, respectively).

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 (Latin America average: 24%). Approval of the government similarly fell from 57% in 2017 to 47% in 2018. The statement that the government acts in the interest of the people received support from 33% of the respondents, significantly less than in 2017 (42%) but still considerably higher than the regional average (17%).

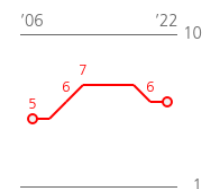
Trust in specific political institutions is generally low. In 2018, the most recent year for which Latinobarómetro data exists, 33% of the respondents expressed trust in the government (down from 38% in 2017, but far above the Latin American average of 22%). 28% said they trust the parliament (down from 32%). Even lower is trust in the judiciary (23%) and, at the bottom, political parties (12%). While 34% trust the military and 23% the police, the most trusted national institution continues to be “the church” (64%).

Unfortunately, no comparable survey data exist for the period under study (February 2019-January 2021). According to the most recent LAPOP data (from the 2018/2019 survey), support for democracy (as the comparatively best regime) in Bolivia was 49%, while satisfaction with democracy was 41%. Remarkably, in this survey 39% of respondents said that they would tolerate a military coup against a highly corrupt government. Affected by the political response to the COVID-19 pandemic, according to national opinion polls popular support for the interim government went down.

In Bolivia, as in most Latin American countries, interpersonal trust is not very high. According to Latinobarómetro for 2018, 15% of the respondents expressed trust “in the majority of the people” (regional average: 14%). Due to the high degree of fragmentation of Bolivian society along socioeconomic, regional and ethnic lines, trust and solidarity rarely stretches beyond specific subgroups or communities. In particular, at the local – community or neighborhood – level, a strong sense of solidarity tends to prevail.

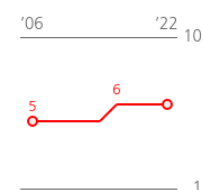
Approval of democracy

6



Social capital

6



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

On the whole, while the relatively high level of cooperation and mutual support for purposes of self-help indicates a greater amount of social capital, this capital remains highly fragmented, and the prevalence of rivalries and conflicts between civil society organizations suggests that this social capital is bonding (in-group oriented) rather than bridging (uniting different groups).

There is no evidence that the COVID-19 pandemic has significantly affected either the sense of solidarity and trust or the self-organizational capacities within Bolivian society.

II. Economic Transformation

6 | Level of Socioeconomic Development

Socioeconomic barriers are quantitatively and qualitatively widespread and structurally embedded. Significant levels of poverty combine with multiple social inequalities. However, under the Morales government extreme poverty decreased from 38.2% in 2005 to 15.2% in 2018. Likewise, moderate poverty decreased from 60.6% in 2005 to 36.4% in 2017. World Bank data on people living on less than \$3.20 per day report a poverty rate of 10.5% for 2018, while the people living on less than \$1.90 was 4.5%. With regard to income inequality, the Gini index has continued to fall (with a slight setback in 2013) from 0.565 in 2007 to 0.422 in 2018 – a reduction markedly above the Latin American average. While the wider region experienced a slowdown, Bolivia's per capita income continued to grow and real GDP per capita by 2018 increased by 50% from its 2005 level.

UNDP has noted almost continuous improvements in human development since 1975, particularly since 2005. The Human Development Index (HDI) score rose from 0.697 in 2015 to 0.710 in 2017 and 0.718 in 2019 (HDI 2020), locating Bolivia in the category of high human development (ranking 107 among 189). The overall reduction in the HDI score due to inequality has fallen from 34.2% in 2011 to 24.0% in 2018, but it remains above the regional average. UNDP's Gender Inequality Index

Question
Score

Socioeconomic
barriers

4

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has also recorded significant improvements since 2005 (0.550), reaching 0.491 in 2010 and 0.417 in 2019. Notwithstanding the progress that has been made, dramatic inequalities persist. Socioeconomic discrimination affects indigenous peoples, rural areas and women in particular. The female 2019 HDI score for Bolivia is 0.696, in contrast to 0.737 for men. 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.

The impact of the COVID-19 pandemic has been severe. In 2020, the Bolivian economy is expected to have contracted by at least 7% according to diverging estimates from the World Bank, the International Monetary Fund and the Economic Commission for Latin America and the Caribbean (ECLAC); the latter estimates a contraction of GDP per capita of 9.4%. Poverty is predicted to increase from 22% to 31%, as measured by the international poverty line of 5.5 international dollars a day (World Bank). The majority of people in the country are considered extremely vulnerable to the COVID-19 pandemic because of the huge informal sector, which according to the International Labor Organization (ILO) involves almost 80% of the population. Due to the severe restrictions on social and economic activities, the majority of the population has been experiencing significant declines in income.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	37508.6	40287.6	40895.3	36688.9
GDP growth	%	4.2	4.2	2.2	-7.8
Inflation (CPI)	%	2.8	2.3	1.8	0.9
Unemployment	%	3.7	3.5	3.5	5.6
Foreign direct investment	% of GDP	1.9	0.8	-0.5	-
Export growth	%	-5.0	5.2	-1.8	-
Import growth	%	5.6	1.9	1.5	-
Current account balance	\$ M	-1898.2	-1823.1	-1389.6	-176.4
Public debt	% of GDP	51.3	53.9	59.1	78.8
External debt	\$ M	12990.1	13248.4	14301.2	15421.1
Total debt service	\$ M	979.3	1007.2	1079.4	1175.6

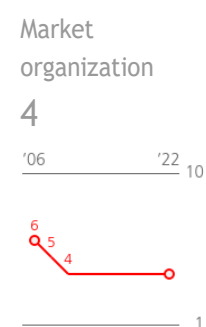
Economic indicators		2017	2018	2019	2020
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	17.0	17.5	18.1	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	4.4	4.5	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.5	1.5	1.5	1.6

Sources (as of December 2021): 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 Bolivians own shares of companies, or that foreign equity be limited over time. The conditions of starting a business have not changed significantly over the past decade with regard to the number of procedures (12) and the days spent (slightly improving in 2019 to 39.5), though the costs have gradually decreased since 2007 to 60.8% of GNI p.c. in 2014 and 37.3% in 2019.

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, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), 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 Index of Economic Freedom has worsened (from "moderately unfree" to



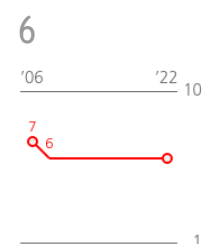
“repressed”). Administered prices exist for petroleum products, potable water and certain staple foods.

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, Bolivia is open to foreign trade and investment, and the 2014 investment law guarantees equal treatment for national and foreign companies. However, according to the constitution, strategic sectors must remain under state control; if foreign investors are to participate, this must be in the form of joint ventures. Hydrocarbons and lithium are considered strategic sectors and, most recently, telecommunication infrastructure. Profits can be repatriated with a 12.5% withholding tax (with the exception of private profits from natural resources, which must be reinvested in the country).

According to the International Labor Organization (ILO), informal employment in non-agricultural sectors decreased from exceptionally high levels of more than 90% of total employment in 2005 to 79% in 2019.

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 in a select number of sectors, most notably hydrocarbons and telecommunications. Regarding hydrocarbons, state-owned Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) recovered control of the production and distribution chain, but multinational companies were still allowed to continue operating in the country. In the telecommunications sector, there are three major companies that provide access to internet, mobile communication and television. State-owned Empresa Nacional de Telecomunicaciones (ENTEL) is the largest and has control of the infrastructure, including access to internet international cables. Regarding the media, the Morales administration initially set 2018 as the date on which the licenses of all media companies would expire and be renewed via public tender. However, the government later retracted this and automatically renewed the existing licenses for 15 more years. The 2009 constitution prohibits large land holdings, establishing an absolute limit of 5,000 hectares. As this clause is not applied retroactively, its effects on land distribution have remained limited.

Competition policy



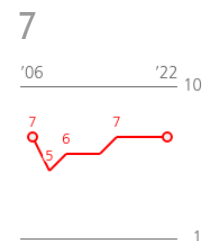
Foreign trade was deregulated after 1985 and further liberalized and diversified throughout the 1990s. The MAS government implemented several changes to counteract the deregulation of foreign trade. In 2007, tariffs of up to 40% were raised for several products, the maximum tariff the country can charge according to the bounded tariffs it has with WTO. Nevertheless, Bolivia's average tariff rate has not changed much in recent years and has oscillated between 4% and 5%. The simple average of the MFN applied total tariffs in 2017 amounted to 11.8% (WTO). In addition, there are still a number of non-tariff barriers. The Morales government also introduced temporary 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 also demonstrated flexibility. It quit trade negotiations with the United States and the European Union 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.

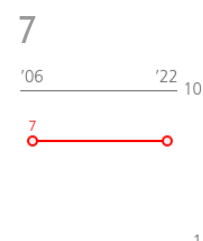
The new Arce administration is pursuing import substitution as one of the pillars of its development plan. Correspondingly, several decrees passed during the Áñez administration were repealed, thereby raising tariffs and reimposing export restrictions for agricultural products like soy-oil.

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 two state-owned banks, 14 private general banks as well as several (in total, approximately 43) smaller and specialized financial entities and cooperatives operating in Bolivia. Since 2002, the share of non-performing loans as a percentage of banks' total gross loans has declined almost continuously, from 17.7% in 2006 to 1.6% in 2016, with a small increase to 1.9% in 2019. The bank capital to assets ratio has decreased consistently from 7.7% in 2012 to 6.7% in 2018 but saw a slight increase to 6.9% in 2019. The share of dollar deposits in the banking system has also declined significantly. New rules established by the 2013 Financial Services Law empowered the executive to define maximum lending

Liberalization of foreign trade



Banking system



rates and minimum lending quotas for the productive sector and social housing. According to the International Monetary Fund (IMF), Bolivia's financial system is generally considered to be solid and well capitalized, but there are risks related to credit growth, funding and credit concentration.

The COVID-19 pandemic has had a severe impact, particularly on the income of the banking system. The National Assembly passed a bill that forced banks to defer payments of mortgages, commercial and productive loans from April 2020 to January 2021. To soften the impact of the crisis, the Áñez administration also approved an injection of funds from the central bank to commercial banks of approximately \$500 million. The incoming Arce administration has placed an additional burden on banks: the regulatory authority introduced a mandatory period of grace in which banks cannot charge any capital amortization on productive loans, only interest, which in practice is a further extension of deferral.

8 | Monetary and fiscal stability

According to the World Bank and the IMF, inflation has decreased consistently since 2012, reaching a historic low of 1.8% in 2019. 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 has made what the IMF called "tremendous progress on de-dollarization." International reserves, which

soared from 2005 to 2014 due to continuous trade surpluses, reached a historical high of \$15.1 billion. However, since mid-2015, they have fallen as trade and account balances went into deficit due to plunging commodity prices and falling gas and oil production. In 2018, reserves were \$8.95 billion, which still represented a relatively high level. Nevertheless, according to the central bank, by June 2020 reserves had fallen to \$6.27 billion (16% of GDP), covering 7 months of imports. Although Bolivia remains in a better position than other countries in the region, the accelerated pace of the decrease (more than \$1.7 billion per year on average since 2015) has raised concerns. Regarding the stable exchange rate of the Boliviano against the U.S. dollar, 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; the real effective exchange rate index grew consistently from 120.1 in 2014 to 149.7 in 2019. 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."

With the COVID-19 pandemic, international reserves have reached their lowest level since 2006. Although this puts additional pressure on the currency regime, the incoming Arce government has announced that it will not alter the fixed exchange rate in the short term.

Monetary stability

8



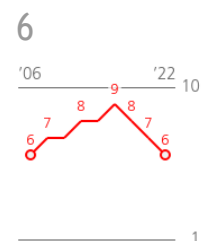
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Regarding prices, consistent with the contraction of economic activity due to the pandemic, cumulated inflation until September 2020 reached 0.5%. The central bank projects a low inflation rate for the year, in the range of 0.9% to 2.3%. The Economic Commission for Latin America and the Caribbean (ECLAC) attributes the low inflation rate to essentially weak internal demand and the fixed exchange rate.

The Morales government, in which the current president, Luis Arce, served as minister of economy, managed to stick to a consistent policy of macroeconomic stability. With the end of the commodity boom however, twin deficits (in the current account balance and the fiscal budget) reemerged in 2015. Since then, the government implemented a countercyclical spending strategy, assigning a key role to public investment. This expansive fiscal policy, with a growing deficit every year, successfully counteracted the economic slowdown caused by the decrease in international prices. However, as the twin deficits continued to expand, this policy became increasingly unsustainable. The fiscal deficit was 8.1% in 2018 and 7.2% in 2019 (preliminary data from the ministry of economy). World Bank and IMF data show a constant deficit of the current account balance since 2015, reaching \$1.36 billion in 2019. Public debt rose from 38.7% of GDP in 2015 to 59.0% in 2019.

The political crisis since October 2019 and the COVID-19 pandemic have further reduced growth rates and external incomes due to the sharp decline in commodity prices, thereby also increasing fiscal pressures. According to ECLAC, the income of the non-financial public sector (in real terms) fell by 28%, equating to 5% of GDP. The interim government attempted to secure loans from international financial organizations but did not receive the approval of the plurinational legislative assembly, still under control of MAS. Therefore, they resorted to credit from the central bank, which increased the internal debt from 20 billion Bolivianos to 32.4 billion Bolivianos. According to ECLAC, the fiscal stimulus in response to the pandemic represented about 5% of GDP during 2020. Upon taking office, President Arce approved a law for authorizing loans from the World Bank and the Inter-American Development Bank (IADB) for a total of \$700 million in order to fund the “Bono Contra el Hambre,” a one-time unconditional \$150 cash transfer to poor households. Parliament also passed a bill for taxing the 150 wealthiest persons in the country, which was projected to generate approximately \$14 million.

Fiscal stability



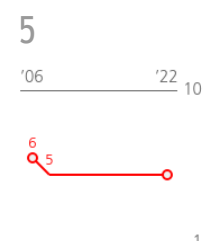
9 | Private Property

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 cases of expropriation under the Morales government, 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. At the same time, there have been increased efforts to prevent or combat land seizures, though this is primarily aimed at cases of seizures by landless workers, rather than 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. Under the 2009 constitution and MAS rule, private enterprise lost its former status as the primary engine of economic development, and public companies 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 (mostly individually negotiated) cooperation between public and private (foreign) companies featuring significantly increased participation and control by the state. The World Bank’s Doing Business reports still see in Bolivia’s regulatory environment severe restrictions for private business (rank 150 out of 190 countries in 2020).

In response to the pandemic, two specific decisions have been taken that have worried the private sector. First, in August 2020, parliament passed a bill to force all real-estate owners to forgo 50% of the rent charges for housing, commerce and industry. This law not only modified privately-agreed contracts, but – in doing so retroactively – arguably also violated the constitution. Second, in April 2020, the Financial Regulation Authority approved several rules that obliged banks to defer payments for three months. Following public pressure, this deferral was extended to January 2021. Under the Arce government, banks were further obliged to implement more controversial measures. First, the government accepted the arguments made by specific sectors that they could not pay their obligations due to the pandemic and forced banks to accept continued deferral of specific loans. Second, the regulation authority (ASFI) issued a resolution that mandated banks to reinvest all of their revenues from 2020. While the government has not taken equity stakes or

Property rights



Private enterprise



nationalized private companies to prevent bankruptcy, it has extended a loan of \$37 million to the public airline BOA. Moreover, it approved the creation of a trust fund of \$132 million that will be channeled into the productive sector via two state banks in order to reactivate the national industry.

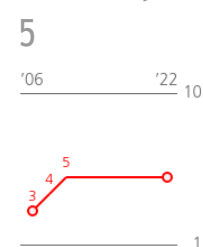
10 | Welfare Regime

Bolivia's social security system is still fairly limited. Social safety nets are fragmented and coverage, despite improvements, is far from universal and equally distributed. Since 2006, the MAS government relied especially on cash transfer programs, which are the principal mechanism of providing (limited) social security and fighting poverty. Currently, there are two conditional social programs, which support children that continue basic education (Bono Juancito Pinto) as well as pregnant women and young mothers that seek medical care (Bono Juana Azurduy). In addition, in 2008, a tax-financed state pension for all citizens over 60 years was introduced (Renta Dignidad). According to the pension law of December 2010, private pension funds (legacies of the "neoliberal" governments) were replaced by a public entity, and the age of retirement was reduced from 65 to 58 years. However, the contributory pension system remains stagnant, as coverage remains low (estimated at 15%, the lowest rate in the region) due to the size of the informal sector and widespread tax evasion also within the formal economy. In addition, the second classic pillar of social safety nets, the health system, is considered to be 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. Under the MAS government, overall social spending (per capita) has increased significantly, as has public investment in basic social services. Public expenditure on health, despite some gradual increases after 2012, has oscillated between 4.6% of GDP in 2014 and 4.4% in 2018. Life expectancy at birth has risen steadily (to 69.1 years in 2016 and 71.2 years in 2018).

The COVID-19 pandemic has revealed the structural limitations of existing social safety nets, which are exacerbated by the extensive informal sector. In response, in April 2020, the interim government announced several cash transfers as means of social protection: the Family Bonus (\$81 to each boy and girl in primary education), the Family Basket (\$66 for older adults, pregnant women and people with disabilities), and the Universal Bond (\$81 for people between the ages of 18 and 60 who do not receive pensions or salaries). Additional measures included the temporary reduction (subsidy) of electricity and water tariffs, the prohibition of water, electricity and gas cuts during the quarantine, and the deferral of bank debt payments for the duration of the pandemic. At the same time, the legislative assembly approved a

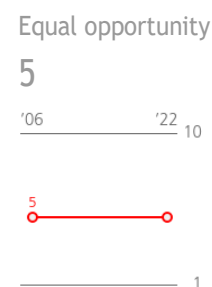
Social safety nets



highly controversial law forcing real-estate owners to reduce in half almost all housing, commercial and industrial rents until the end of 2020. This included productive loans to small and medium scale enterprises, who also benefited from deferral of tax payments. The financial regulation authority instructed banks to stop charging payments on all loans until the end of 2020. In 2021, the new Arce administration extended the deferral for specific sectors like public transport.

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. Since 2014, women have held a majority of seats in the national parliament. 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 2018 was 1.0 in primary and secondary education. The female 2018 HDI value for Bolivia was 0.665 in contrast with 0.716 for men (UNDP). Female labor force as a percentage of the total, has risen in the past three years from 42% in 2017 to 44% in 2020.

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 considerably better than 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.



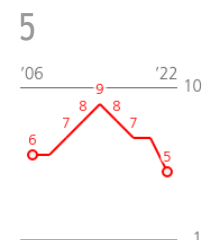
11 | Economic Performance

Even before the COVID-19 pandemic hit Bolivia, the country's economic performance was on a downward trend. For some time, the government has been able to counteract the negative effects of the fall in international commodity prices since 2014, in particular by drawing on extensive international reserves. Real GDP growth has seen a gradual slowdown from rates between 5% and 7% (2011 - 2014) to 4.2% in 2018 and 2.2% in 2019, with per capita GDP growth falling to 0.8% by 2019. ECLAC estimates a fall in GDP of 5.2%, and a fall in GDP per capita of 9.4%, as a result of the combined effects of the 2019 political crisis and the impact of the COVID-19 pandemic.

In 2020, total exports declined more than 20% from their 2019 value and international reserves fell to their lowest level since 2006. In order to cope with the contraction in domestic demand and the worsening employment conditions, finding additional funds was necessary. According to government and ECLAC estimates, the measures announced to address the pandemic represent 5% of GDP, most of it in the form of social spending and initiatives to support employment and businesses. In view of lower state revenues and a limited potential for cuts in expenditure, the additional financing required for 2020 is estimated to be approximately \$3 billion, a third of which shall be provided by the external markets (international financial institutions and others). Accordingly, the gross debt of the non-financial public sector is expected to rise from 57.5% of GDP in 2019 to 64.9% in 2020.

Key concerns include the current account and the budget. Reduced commodity prices, a decline in gas production and falling remittances from abroad have meant the current account balance has been in deficit for 5 consecutive years since 2015, although the deficit has been somewhat alleviated in 2020 by the significant slump in imports due to the COVID-19 pandemic (a decline of 35.1% in the first half of 2020). Given continuing high levels of public spending and a gradual decrease in tax revenues and royalties, the fiscal deficit has also widened significantly, reaching 8.1% of GDP in 2018 and 7.2% in 2019. As a consequence, public indebtedness increased from 35.3% of GDP in 2011 to 57.5% in 2019, with the external debt more than doubling since 2012. Gross capital formation, which had risen to 22.2% of GDP by 2017, has now fallen to 19.9% (2019). Unemployment (in WDI 2020 terms) increased from approximately 2% in 2014 to 3.5% in 2019 and 2020.

Output strength



12 | Sustainability

Environmental concerns receive relatively little attention in Bolivian economic planning at both the macro and micro level. The tension between growth and sustainability is a matter of conflict within the MAS and therefore within the different branches of government. The rhetoric places environmental care above economic revenues, following the Andean cosmo-vision of living well (“Buen Vivir”). However, there is no effective institutional framework for sustainability goals, and these have usually been subordinated to the goals of growth and (since 2006) redistribution. 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”).

Although the MAS government rhetorically promoted, at various international levels, far-reaching ecological principles, domestic implementation has been limited. 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 the signing of a contract with a German consortium to exploit lithium out of the Uyuni salt flats (which is currently on hold due to a presidential decree passed by Morales during the political turmoil of October 2019). In the agricultural sector, the MAS government has pursued a policy of actively promoting the expansion of agribusiness, at the expense of the protection of forests. In 2019 and 2020, large fires burned uncontrollably for several weeks in the Amazon region. The presidential decrees that authorize the controlled burning for increasing arable areas have not been repealed.

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. However, despite the arrival of climate change in the form of melting Andean glaciers (with consequences to actual water supply), but in line with the principle of differentiated international responsibilities, the MAS government has refrained from setting a national target for reducing greenhouse gas emissions. In 2020, the government announced that a comprehensive NDC was under consideration and that it would include broad commitments. However, this has not yet been approved or even discussed. Bolivia has not supplied key data for the relevant SDG indicators.

Environmental
policy

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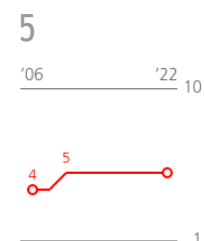
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The public and private institutions for education, training, and research and development are highly heterogeneous, and show clear deficits particularly in terms of R&D. They are unevenly distributed (concentrated in urban areas), and often altogether lacking in rural districts. According to World Bank data (WDI 2020), 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 prioritized basic education, and in general achieved notable successes in fighting illiteracy and broadening primary education. The overall adult literacy rate in 2015 was 92.5%. The government also established three indigenous universities (where the teaching languages are Aymara, Quechua or Guarani). All public universities in the boom years benefited from their shares of gas revenues, though their quality has not noticeably improved much. Bolivia ranks 53 in the U.N. Education Index (among 133 BTI countries surveyed) with a score of 0.695 in 2019, ranking 12th in the region and at a level similar to Venezuela (0.700) and Brazil (0.686).

Education policy /
R&D



Governance

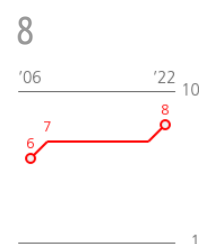
I. Level of Difficulty

Formidable structural difficulties, which have not substantially changed in recent years, constrain the leadership's governing capacity. 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 generate low levels of trust, frequently inflame conflicts, and make it difficult to reach a consensus on questions of national development. On the positive side of the equation, the level of political violence is comparatively low, and the democratic rules of the game are generally accepted (if frequently bypassed).

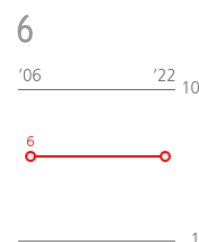
Since March 2020, the COVID-19 pandemic and its socioeconomic consequences have severely increased the structural difficulties and put additional constraints on governance. During the first and second waves, in a matter of weeks the health system collapsed. Available data from the Bolivian government and the World Health Organization (WHO) on COVID-19 infections indicate (by February 2021) around 24,500 actual cases, and totals of around 232,500 cases and 11,000 deaths. The data are, however, highly unreliable, and are presumably significant underestimates. In addition, there are the serious effects on economic performance mentioned in 11.1 caused by the pandemic.

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. However, civil society is fragmented, and in part openly polarized, along communal, regional, sectoral, ethnic and politico-ideological lines. 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, regional or sectoral 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

Structural constraints



Civil society traditions



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).

Levels of conflict have traditionally been high in Bolivia, particularly during and after the 1952 revolution and under military dictatorships, during the (neo-)liberal restoration efforts of the 1980s and 1990s, and finally during increasing social polarization in the early 21st century. With the rise of indigenous/social movements and the MAS since 2000, society and political elites became increasingly split into two camps generally associated with different regional, ethnic and class identities, with (broadly) two different projects of development and competing understandings of democracy.

This polarization culminated in an open political crisis in September 2008, when protests by conservative autonomy movements in the lowland departments peaked and, once again, in October/November 2019, when allegations of electoral fraud and, later, the forced resignation of President Morales provoked waves of mass protest. Both episodes of conflict escalation involved serious violent incidents, arguably bringing Bolivia to the brink of civil war. However, as in 2008, the most recent crisis was resolved through negotiations and compromise and, in the end, through democratic procedures (in this case, with the new general elections of 2020). Yet the severe polarization of Bolivian politics and society persists to the present day and has only been reinforced by events since October 2019. At the same time however, both the MAS camp and the range of opposition groups are very much fragmented. In general terms, mobilized groups and protest movements play an important role in Bolivian politics.

II. Governance Performance

14 | Steering Capability

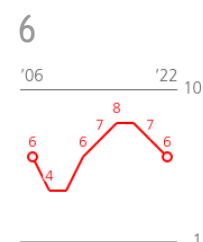
The strategic priorities set by the MAS government during the previous three terms under Evo Morales are not inconsistent with liberal democracy and a market economy. With regard to democracy, the Bolivian constitution of 2009 rejects neither elections nor rule of law, but adds, inter alia, institutions of direct democracy, mechanisms of political participation and social control by “organized civil society,” and forms of indigenous self-governance. 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

Conflict intensity



Question
Score

Prioritization



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 MAS government has set strategic priorities and maintained them for more than a decade. Economic growth and the consequent redistribution through several specific social policies are the main objectives.

After a tumultuous year following the contested elections of October 2019, the MAS were returned to power in the elections of October 2020 and the taking of office by President Luis Arce, and his vice president, David Choquehuanca in November 2020. Generally speaking, the new government still follows the strategic priorities set by the Morales government, but there are clear-cut tensions within the MAS (government), which have yet to be resolved. This concerns the differences between Arce, who was nominated by Morales and prioritizes economic growth and redistribution, and Choquehuanca, who had parted ways with Morales years before, and enjoys the support of key indigenous organizations and emphasizes environmental respect and the indigenous vision of living well (“Buen Vivir”). In addition, Evo Morales maintains a strong presence and officially continues to lead the MAS party. Morales, who seems to have an agenda of his own, has daily meetings with sociopolitical leaders all over the country, but he is also facing increasing internal opposition. Despite the rhetoric that emphasizes a clear separation of tasks between the leadership of the state (by Arce and Choquehuanca) and the party (by Morales), clashes of interests and viewpoints will foreseeably make it challenging to set, maintain and implement strategic priorities. Prioritization, therefore, is currently undertaken in the context of widening breaches between different MAS blocs.

During the last Morales administration, strategic priorities had shifted from enacting change to sustaining achievements. The policies of consolidating the “revolutionary” project of (neo-)developmentalist modernization gradually degenerated into mere techniques for the MAS and Morales to preserve power, on occasion “at all costs,” as in the case of the attempt to keep Morales as president for a fourth term. Now, with Morales’ unified leadership of both the party and the state gone, the overall capacity of the MAS government to define and maintain its strategic priorities is decidedly lower. In addition, the ongoing COVID-19 pandemic and its socioeconomic consequences render it much more difficult to maintain a long-term view, e.g., when it comes to prioritize measures of immediate relief against funds that had been earmarked for strategic improvements in education or redistribution.

On the whole, Bolivia’s governments in the period under review have been less effective than before in implementing their strategic goals, because most of their energies were absorbed by permanent campaigning with enhanced polarization and conflict (firstly around the disputed Morales candidacy, and secondly around the 2019 election). The period can be divided into three phases: the last nine months of the presidency of Evo Morales who together with the MAS can be held responsible for most of the deviations and distractions of these two years, one year of the interim

Implementation
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government of opposition senator Áñez, and the first three months of the renewed (though weaker) mandate of the MAS under President Luis Arce, who was convincingly elected in October 2020. The first two did not leave much time and energy for the pursuit of long-range aspirations. Morales had lost momentum, turned to “preservation” of achievements, and became increasingly distracted by the day-to-day politicking around his candidacy for a contested fourth term. The caretaker government of opposition senator Áñez remained weak and, despite some tentative efforts to “turn around” the direction of Bolivian politics, did not leave much of an imprint, not least because the forces of the opposition to the MAS remained divided and the MAS still dominated the parliament. The first priority in the last eleven months under review has been the fight against the COVID-19 pandemic. Implementation of long-range policies can only improve under the incoming Arce administration.

Arce’s political agenda basically continues the agenda of the Morales government, in which he served as minister of economy. It encompasses two main long-term policy goals: 1) a transformation of the economic structure of the country, in particular by fostering added-value activities (industrialization), and 2) the improvement of the well-being of the poorest and most vulnerable sectors of the population (redistribution and poverty reduction). In addition, two short-term objectives can be identified, which are closely related to the socioeconomic consequences of the COVID-19 pandemic: 1) reactivation of the economy, and 2) mitigation of the social impact of the pandemic.

Regarding these short-term objectives, the incipient Arce government is still struggling to effectively implement major policies. In order to prevent a further severe economic downturn, the administration refrained from applying quarantines or other restrictive measures at the national level. Instead, responsibilities have been transferred to subnational governments. On the one hand, by not declaring a state of (health) emergency, the government has also refrained from concentrating power in the executive branch. On the other hand, it has so far failed to improve the health sector, while the second wave of the pandemic is having a devastating impact on the population, especially the poorest and most vulnerable. Still, in contrast to his predecessor, President Arce quickly approved a law that authorized \$700 million of loans from the World Bank and the Inter-American Development Bank in order to fund the “Bono Contra el Hambre,” a one-time unconditional \$145 cash transfer to a significant part of the population. In addition, parliament passed a bill for taxing the 150 wealthiest persons in the country, which is estimated to generate \$14 million. While this amount remains fairly small, the government has yet to design and implement a concrete plan to boost economic activity.

Regarding medium- and long-term objectives, the main strategy of industrialization via import substitution will foreseeably face important structural constraints. These include the continuing reliance on natural resource extraction and agro-industrial

production, difficulties in attracting foreign direct investment, an overvalued exchange rate as well as regional integration norms that limit the possibility to impose tariffs on most South American countries. Dependence on resource extraction and agribusiness also undermines the declared aim to respect indigenous collective rights (“consulta previa”) and the environment (“madre tierra”). In trying to reconcile a resource-based neo-developmental model with an emphasis on indigenous and environmental concerns, the official agenda of the government remains highly contradictory.

The effective implementation of policy measures will continue to be hampered by weak institutions and administrative capabilities as well as by political problems, including internal conflicts within the MAS. Finally, social protests by (competing) social organizations and movements will continue to put limitations on the government’s capacity to implement its policies.

Given the fact that the current government only came into power in November 2020, it is too early to assess its ability to learn and adjust. Generally speaking, there is scant evidence for institutionalized mechanisms of policy learning in Bolivia. Instead, innovation and flexibility tend to emerge through trial and error or simply by muddling through. Regarding policy learning, continuities prevail. The Arce administration seems to be following the approach of the Morales government, which used to start with maximalist and often polarizing positions, only to shift later to a search for compromise and pragmatic solutions. Recent examples include how the Acre administration responded to the first riots and strikes from unions and associations that are historically part of the MAS base, such as the neighborhood associations from El Alto or the union of transport workers.

In terms of the government’s response to the coronavirus crisis, there is no observable evidence of mechanisms of institutional learning at work. In fact, the political change from interim president Áñez to current president Arce has meant that the new government aimed to break with the legacy of its predecessor. As a consequence, the government still applies improvised measures. No additional budget has been allocated to the health sector, and the second wave of COVID-19 found the country once again with insufficient personnel, infrastructure, and even medical supplies. Hospitals became quickly saturated and basic medicines were scarce. Furthermore, after almost one year closed, schools have yet to be allowed to resume their operations. Provinces and cities, which are now responsible for specific containment measures (like quarantine or curfew), lack the required institutional capacity. Finally, the country was among the last to sign a deal for the purchase of the vaccines. Consequently, the vaccination program started late, and it will take a long time to vaccinate the majority of the population.

Policy learning

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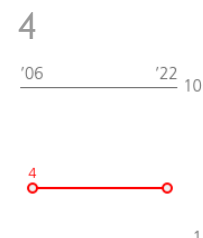


15 | Resource Efficiency

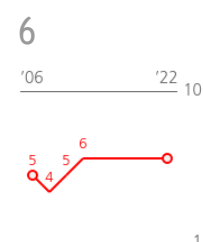
An overall assessment of the resource efficiency of the new Arce government is not yet possible. Generally speaking, the severe political and social crisis that erupted after the 2019 elections, which was accompanied by two transfers of political power (from the MAS to the interim government led by Áñez, and back to the MAS), has harmed the efficient use of human, financial and organizational resources. Despite a democratically elected government now in power, structural problems persist. The country'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 subject to political influence, and the reform of public administration is a low priority. Financial and organizational resources are scarce. Since the end of the commodity boom in 2015, high levels of public expenditure have generated growing external and fiscal deficits, which were financed with the reserves accumulated during the boom years. Government plans to keep public expenditure and public investment at stable levels have not always been implemented; state debt and external debt (more than doubled since 2012) have continually gone up, a constellation that has been severely enhanced by the pandemic (cf. the data in Q11.1). According to ECLAC data, the gross public debt is expected to rise from 57.5% of GDP in 2019 to 64.9% in 2020. The high public and external debt levels have increasingly called into question the sustainability of the model pursued by the MAS, which aims to maintain economic growth via public investment. The efficiency of public spending in general saw little improvement during the period under review. Auditing of state spending should be done by the comptroller of the state (Contraloría General) and the Legislative Assembly. MAS control of both entities, however, limits effective control and regulation. In addition, days before President Arce was inaugurated, MAS representatives in the Legislative Assembly approved by two-thirds a change to the internal rules so that in the future, almost all laws can be approved by a simple minority of 51%.

As far as can be assessed at this early stage, the Arce government finds it difficult to resolve conflicting objectives into a coherent policy. It must grapple with a broad spectrum of objectives, as the various groups and factions within the governing MAS (and its allies) pursue different, often particularistic and contradictory interests and values. The new president is facing a potentially growing challenge related to the persisting power and the contested role of former president Evo Morales, who continues to lead the MAS party. Institutionally, coordination between different government departments and agencies continues to be limited, and much of present government mismanagement in a number of sectors (e.g., water supply, medical workers, the penal code) is due to a lack of coordination. In previous years, the MAS government's capacity to coordinate conflicting objectives, to a great extent, was based on informal modes of negotiation. Under Arce, this capacity faces two

Efficient use of assets



Policy coordination



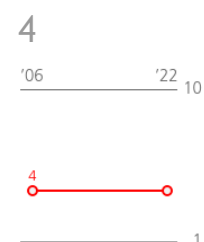
challenges. First, available resources to mitigate protests have significantly declined due to the COVID-19 pandemic. Second, the Arce government lacks the unified leadership that characterized the Morales administration, as well as Morales' image and negotiating skills. After only a couple of weeks in power, the Arce government has already been forced to concede to several societal demands. It remains to be seen whether and, if so, how, the new government responds to these challenges by improving the capacities and mechanisms of coordination.

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. During 2020, the transition government faced several public scandals involving corruption, which resembled the corruption cases of the former Morales administration, such as overpriced public purchases, nepotism in designation of public servants, and the misuse of public goods (like the presidential aircraft). The Arce government is already facing complaints of corruption, mainly regarding the misuse of public goods in support of the campaigns of several MAS candidates for the upcoming subnational elections.

Attempts to address the lack of transparency and the structures of patronage behind corruption scandals are frequent in Bolivia but are generally ineffectual. Auditing of state spending remains inefficient. One of President Arce's main policies regarding the fight against corruption is the relaunch of the reform of the justice system. The minister of justice has already invited several pundits and established an expert group in an attempt to institutionalize representatives of the judicial system.

Auditing of state spending should be done by the comptroller of the state (Contraloría General) and the Legislative Assembly. MAS control of both entities, however, limits effective control and regulation. What is more, days before Arce's inauguration, the MAS used its two-thirds majority in the outgoing parliament to amend the rules so that the majority of laws and administrative processes of the new Legislative Assembly can be approved by a simple absolute minority. The same applies to the regulation of party financing. Citizen and media access to information has often been problematic. Regarding party financing, several years ago MAS canceled state funding and there are no mechanisms to audit political party funds, or their sources. Regarding access to information, access to public information is restricted, despite highly publicized processes of open government during past years (see Q2.4). Moreover, anti-corruption judges have themselves been frequently tried and convicted of corruption charges.

Anti-corruption
policy



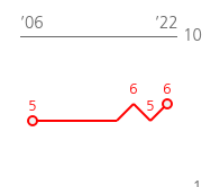
16 | Consensus-Building

Paradoxically, the increase in political polarization during the last couple of years has been accompanied by a relative decline in actual contestation of the overall shape of Bolivian democracy. While the current constitution was heavily contested by the opposition at the time of the constitutional referendum in 2009, it is today broadly accepted by all relevant political actors as a legitimate framework. This basic agreement doesn't mean that political actors would, de facto, always respect, or act according to, the constitution. But such noncompliance mostly reflects opportunistic behavior rather than normative disagreement with the conception of democracy as enshrined in the constitution. In fact, since the 2016 referendum and, most notably, during the 2019 post-electoral protests, the "liberal" opposition against the MAS has been invoking "the popular will," while the "popular-plebiscitary" MAS emphasized the relative autonomy of institutions and procedures. The existence of a general consensus when it comes to the core of representative democracy was further confirmed by the political agreement between the Añez government and the MAS-controlled parliament in November 2019, which paved the way for new elections in a highly polarized context. Even if currently not on the political agenda, the more precise question of the nature of democracy in Bolivia continues to be heavily contested. Important disagreements include the proper relationship between plebiscitary elements, representative institutions and the rule of law; the importance of different kinds and "generations" of human rights; the scope and role of indigenous empowerment, self-governance and justice; and the models for decentralization and autonomy.

A similar observation can be made regarding the conception of the market economy. In contrast to the early years of the Morales government, which were characterized by fierce disputes over "nationalization," private property rights and agrarian reform, no such fundamental controversies characterize the current political debate. In fact, the economic programs of president, Arce, and his most radical right-wing opponent, Camacho, are both broadly represent different versions of a market economy: While Arce advocates a socially inclusive and plural economy, in which the public sector, the private sector and a sphere of communitarian economic activities coexist, with the public sector granted a leading role, Camacho represents a decidedly market-centered, or neoliberal, agenda. In general, current controversies largely concern economic policy rather than the overall shape of the economic order. Furthermore, the debate between the advocates of a resource-based development model and the critics of "extractivism," while present, does not have the importance in contemporary Bolivia that it has in other countries in the region (e.g., in Ecuador).

Consensus on goals

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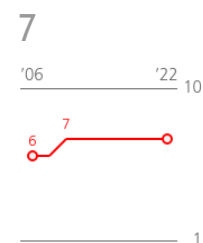
There are no significant anti-democratic veto players. The military has explicitly refused to consider coups (a regular practice until the early 1980s). The most important potential veto players under the MAS government, the regional autonomy movements in the eastern lowlands, particularly in Santa Cruz, do indeed include some anti-democratic forces. But the latter, in and of themselves, are too weak to present a threat to Bolivian democracy. Even more marginalized are the anti-democratic groups that exist within the alliance of forces that support the MAS government. At the same time, undemocratic practices and a lack of respect for democratic procedures are common among most political and social actors. In addition, violent incidents during the political crisis of October and November 2019, as well as during the 2020 election campaign, show that groups exist on both sides of the political divide that are willing to use violence. Finally, anti-democratic actors can also be found in various groups involved in drug-trafficking and organized crime. These clearly 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 partially overlapping. After some years in which the Morales government successfully expanded its constituency across key dividing lines (e.g., by attracting significant support from the urban middle classes as well as the country's lowlands), the years between 2016 and 2019 have been characterized by rising polarization, at least partially in line with (overlapping) cleavages. In simplified terms, the urban middle classes – and particularly the youth – mobilized increasingly against Morales, whereas support for the MAS became increasingly concentrated in the rural, indigenous population as well as in informal urban sectors. At the same time, however, the loss of support for Morales among key indigenous sectors (in El Alto as much as in many rural indigenous communities) as well as in all major cities meant that the political cleavage (pro versus anti-MAS) neither reflected a clear-cut ethnic divide nor the regional division between highlands and lowlands.

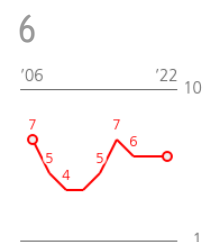
This partially changed, however, under interim president Áñez: with an openly revanchist and elite-centered agenda as well as an aggressive and, in part, explicitly racist discourse, the Áñez government (unintentionally) “managed” to, once again, unite large parts of the indigenous population and the popular sectors behind the MAS. At the same time, after the successful toppling of Morales, the anti-MAS opposition disintegrated along several dividing lines (regional, political).

Since the October 2020 elections, President Arce and his team have signaled their interest in depolarizing Bolivian society and politics. Some policies, however, point in the opposite direction, including the legal persecution of former authorities (from the Áñez government and the armed forces), layoffs of public servants associated with the interim administration, and the unilateral abolition of the two-thirds requirement in the Legislative Assembly for various procedures (approved by the previous parliament in which the MAS held a two-thirds majority). These measures

Anti-democratic actors



Cleavage / conflict management



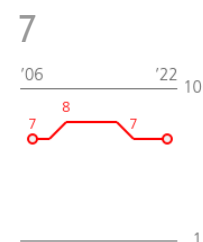
have been met with criticisms by (parts of) the opposition but have so far not led to any significant protest. While still very early to tell, currently the new MAS government has succeeded in preventing cleavage-based conflicts from escalating.

It is too early to evaluate civil society participation under the new Arce administration. Generally speaking, however, the years under MAS rule have been characterized by significant increases in the participation of civil society organizations in agenda setting, policy formulation, deliberation and decision-making as well as policy implementation. In particular, the Morales government (2006 - 2019) has brought about a significant broadening of the range of civil society groups that have access to the political arena. Whereas previous governments would have consulted organizations of the established urban elites, the business associations and to some extent the unions, the Morales government has given more consideration to so-called popular sector organizations, including indigenous and social movement organizations, and trade and peasant unions. In addition, after an initial period of open confrontation (2006 - 2009), the MAS government has built increasingly cooperative relations with business associations, taking into account and accommodating the interests of key segments of the economic elites.

During the Morales years, there were basically three channels for civil society participation: through the MAS party, which operates as an umbrella organization of social movements; through direct representation of social leaders in government or parliament at various levels; and through informal negotiations and “summits.” In addition, the 2009 constitution assigns an important role in deliberating and determining policies to “organized civil society.” A corresponding law on participation and social control of 2013 notwithstanding, civil society participation has remained largely informal. In this context, the extent of participation and influence, rather than relying on established procedures, frequently depends on the actor’s relationship with the MAS and/or on their ability to demand the government’s attention by mobilizing resistance. This also applies to the indigenous peoples’ right to “prior consultation.” While recognized by the constitution, indigenous consultation rights (particularly with regard to the expansion of extractivist industries) have often been neglected or interpreted in restrictive ways.

The brief Áñez government, which was characterized by close relations to the traditional business elites, generally did not feature significant involvement of civil society actors, either in general or as part of the government response to the COVID-19 pandemic.

Civil society participation



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. In late 2019, the commission handed over more than 6,000 files with historical documents and testimonies of victims to the library of parliament and, in March 2020, submitted its final report to the Defensoría del Pueblo. The overall aim of the commission, however, was not to achieve reconciliation between the victims and the perpetrators of past injustices, but to establish the truth and end impunity.

Currently, political debates center on the question of how to deal with the violent incidents, including human rights violations, in the context of the political crisis of October and November 2019. In particular, the victims of the violent repression in Sacaba (Cochabamba) and Senkata (El Alto) are demanding justice. In December 2019, the Áñez government agreed with the Inter-American Commission on Human Rights (IACHR) to establish an Interdisciplinary Group of Independent Experts (GIEI) in order to investigate the acts of violence and human rights violations that occurred between September and December 2019. In November 2020, the GIEI finally started its investigations in Bolivia. At the political level, the Arce government has explicitly endorsed the aim to deal with the acts of injustice committed under the interim government, while simultaneously emphasizing the need for national reconciliation and unity.

17 | International Cooperation

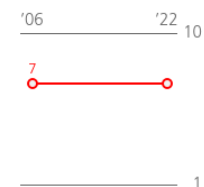
During the period under review, the dramatic transfers of political power in late 2019 and, again, in late 2020 make it virtually impossible to assess the potential long-term strategy of “the political leadership.” Reacting to the COVID-19 pandemic, the Áñez government obtained loan commitments from the International Monetary Fund (IMF), the Andean Development Corporation (CAF) and the World Bank. But a veto from parliament prevented its actual use, and the economic and social policy measures in the end had to be funded domestically.

Upon assuming office, President Arce enacted a law passed in August in the National Legislative Assembly that established an additional cash transfer (Bono Contra el Hambre), financially supported with credits from the Inter-American Development Bank (IADB) and the World Bank.

Generally speaking, the Arce government has clear aims of political and economic development, with a focus on socioeconomic issues. In particular, Arce has promised to return to the socially inclusive, resource-based and state-centered development model pursued by the Morales government, in which he served as minister of economy. For the time being, the government still seems to be following the 2025

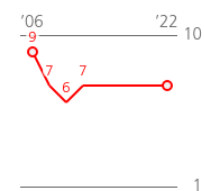
Reconciliation

7



Effective use of support

7



Agenda, which was the long-term development plan of the Morales government, approved in 2016. Arce's first moves, however, have centered on the attempt to mitigate the social and economic consequences of the COVID-19 pandemic. As far as political development is concerned, the primary stated aim concerns judicial reform, which all political actors agree is the function of the Bolivian state most in need of reform.

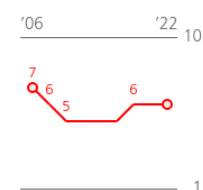
In the past, the MAS government was highly focused on its own development agenda and less inclined than previous governments to accept international know-how and external advice. This emphasis on ownership and non-interference was facilitated by the reduction in international aid dependency since the early 2000s, the international commodity boom, and the restructuring of the country's hydrocarbons sector, which significantly increased state income from gas exploitation. With the fall in the prices of Bolivia's key export goods since 2014, this has gradually changed, leading the Morales government to take new international loans (in particular, from CAF, IADB, the World Bank and China).

The severe consequences of the COVID-19 pandemic have further increased the need – and willingness – to accept international support. First signals from the Arce government suggest that the new administration, generally speaking, will be more pragmatic and willing to cooperate, even with countries like the United States, with which Bolivia under Morales has had a very difficult relationship. Still, an effective use of international support will continue to be 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 compliant with most international norms. Under the Morales government, Bolivia regularly emphasized international law and the importance of multilateral institutions. In terms of international cooperation, its focus was on deepening intra-regional as well as south-south ties. The Morales government, however, also questioned or revoked specific international commitments when it regarded them as contradicting domestic norms (such as the 2009 constitution) and, thereby, the principle of self-determination. For instance, the Morales government explicitly refused to accept international investment dispute settlements and, hence, abrogated a series of bilateral investment treaties. Bolivia also rejected the prohibition of the coca leaf by the Single Convention on Narcotic Drugs and, as a consequence, first withdrew and then re-entered the respective convention with a corresponding reservation. Finally, the Morales government also severely criticized the work of the Inter-American Human Rights Commission (IAHRC), demanding reforms to the IAHRC. Generally speaking, the MAS government has been highly defensive in the face of international criticism regarding human rights issues, and frequently accuses foreign governments (the United States, in particular), international organizations, international NGOs as well as foreign-funded domestic NGOs, of trying to destabilize the country.

Credibility

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Upon taking office, the interim government of Jeanine Áñez started to reverse course, intensifying ties with the U.S. government, breaking off diplomatic relations with Cuba and Venezuela, and initiating the country's withdrawal from a number of regional organizations (ALBA, CELAC, UNASUR). After his election to office, President Arce reversed these decisions, but has signaled his interest in cooperative relations with the United States. Generally speaking, the Arce government presents itself as a reliable, credible and cooperative partner and, for the time being, there is no reason to doubt this stance. Bolivia, under Áñez, did not play a relevant role in international efforts to coordinate a response to the COVID-19 pandemic.

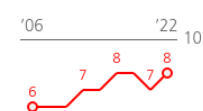
Under president Morales, Bolivia's political leadership cooperated with its counterparts in all neighboring states, intensified cooperation within Latin America, and was engaged in all regional integration processes. Bolivia continued its membership in the Andean Community, the OAS and other regional integration bodies (ALADI, SELA), joined new organizations (such as UNASUR, CELAC and ALBA) and, in 2015, signed up for full membership in the Mercosur; while Uruguay, Argentina and Paraguay support it, final ratification is still pending as it is still detained in the Brazilian Congress.

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

Bilateral relations with Chile are historically strained, given that Bolivia continues to demand "sovereign access" to the Pacific (lost during the Pacific War in the late 19th century). Diplomatic relations were broken off in 1978 and never restored. Under the Morales government, Bolivia took its cause (once more) to the International Court of Justice (ICJ) in The Hague, claiming that Chile was obligated to enter negotiations with Bolivia on the matter at hand. In October 2018, however, Bolivia's demand was rejected by the ICJ. President Arce is more pragmatic and dialogue-oriented, which the Chilean government has welcomed, although it has not opened any new negotiations on this issue).

Regional
cooperation

8



1

Strategic Outlook

In the period under review (2019 - 2020), Bolivia underwent a severe political and social crisis aggravated by the COVID-19 pandemic. Currently, the country as a whole, and the new government led by President Arce, face a series of challenges, three of which stand out.

The first challenge concerns the social effects of the ongoing pandemic. In Bolivia, like several other poor countries, the pandemic has had a devastating impact. It has had differentiated effects given that, besides the deficient provision of public services, a vast share of the population is employed in informal work and lacks access to social security. The limited social transfers introduced in 2020 were barely sufficient to fulfill the basic needs of a family for a few days. This makes improvements of the health care system and the social safety net for the poorest a priority. Given the current scarcity of fiscal resources, this also implies the need for (redistributive) increases in state income.

Second, the Arce government must deal with the severe economic crisis, which has been triggered by the pandemic but has structural roots. Confronted with sharp decreases in both international and domestic income, the government aims to reactivate the economy, including by further promoting the extraction and industrialization of non-renewable resources. However, it has limited resources to do so. In light of the social and environmental effects of the extractivist development model, the challenge here is not only to restore resource-based economic growth, but to facilitate a long-term, structural transformation of the economy. Dwindling reserves and rapidly rising public debt must also be addressed.

Third, even if the unequivocal election of Luis Arce put an end to the open crisis of democracy since the contested elections of October 2019, far-reaching social and political polarization persists. This poses a continuing risk of political destabilization and (violent) conflict escalation. Politically, it is therefore crucial that both the governing MAS party and the (fragmented) political opposition accept each other as legitimate competitors, respect existing institutional procedures and constraints, and that they try to solve existing differences through dialogue and negotiation. Not only in the Legislative Assembly but also in highly significant topics such as judicial reform, the government and the MAS should include more sectors than just its traditional allies, and opposition forces should do their best to act as counterweights, but not as dogmatic veto actors. Given the diversity of social actors and conflicts and the high degree of mobilization of Bolivian society, the state and the MAS party should also more generally rely on and expand institutionalized mechanisms that enable reliable modes of participation, consultation, and accountability.

All of this will depend as well on developments associated with the pandemic, which includes progress being made with vaccination if another collapse of the country's health system is to be avoided. As of mid-June 2021, the prospects for this appeared better than at the end of the review period, when vaccination had not even begun. However, vaccination coverage was still comparatively low (about 14% had one vaccination and 4.9% had two) and the third wave was ongoing.