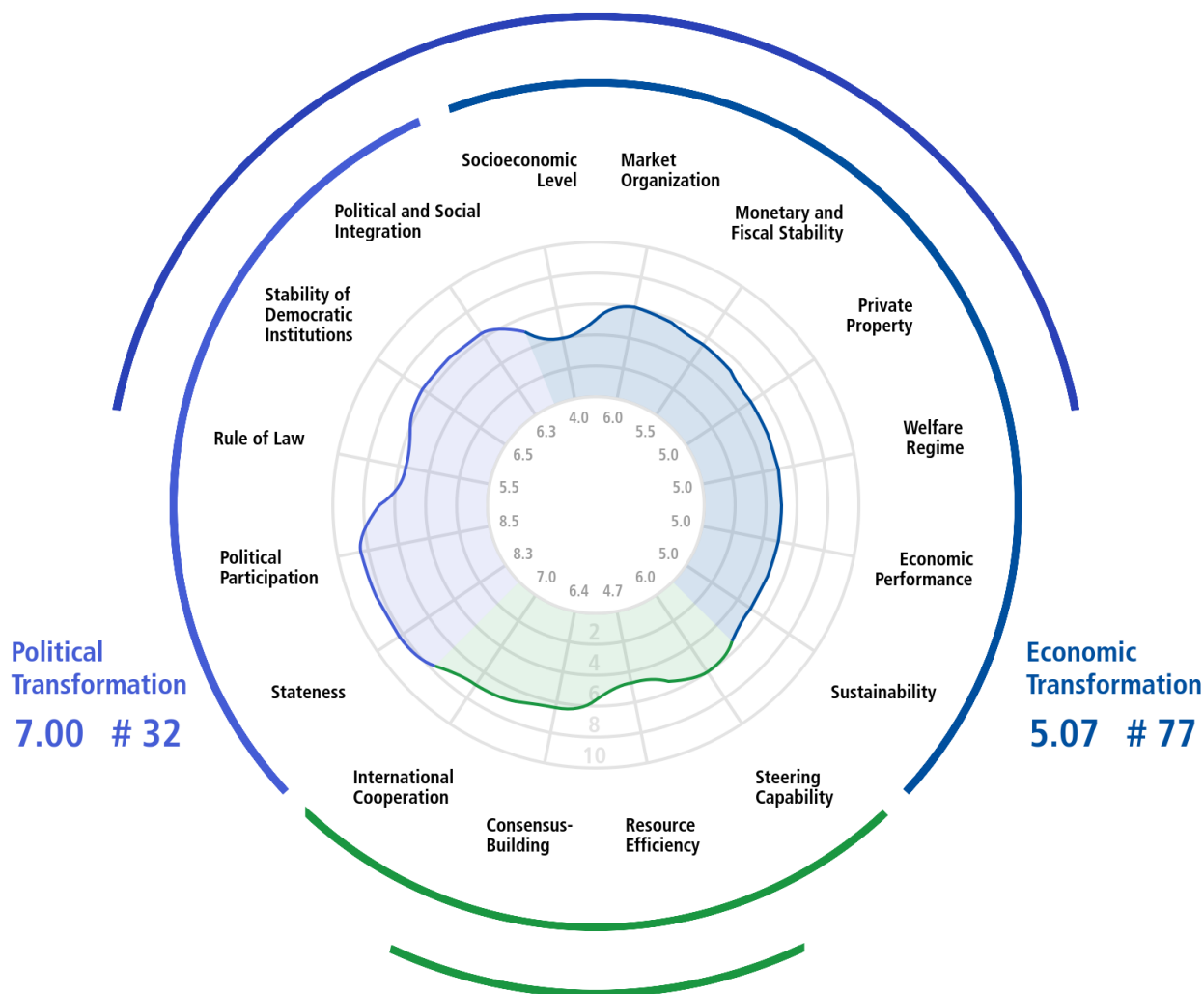


Bolivia

Status Index

6.04 # 48

on 1-10 scale out of 137



Political Transformation
7.00 # 32

Economic Transformation
5.07 # 77

Governance Index

5.37 # 40

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2024 Country Report – Bolivia. Gütersloh: Bertelsmann Stiftung, 2024.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	12.2	HDI	0.692	GDP p.c., PPP \$	9684
Pop. growth ¹	% p.a.	1.2	HDI rank of 189	118	Gini Index	40.9
Life expectancy	years	63.6	UN Education Index	0.743	Poverty ³	% 5.4
Urban population	%	70.8	Gender inequality ²	0.418	Aid per capita \$	41.8

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

In the period under review (February 2021 – January 2023), Bolivia experienced the reverberations of a severe political and social crisis triggered by the failed elections of 2019 and the forced resignation of Evo Morales, exacerbated by the economic consequences of the COVID-19 pandemic. The election of Luis Arce in 2020, a clear victory for the Movimiento al Socialismo (Movement for Socialism, MAS) that marked their return to power following the interim government led by Jeanine Áñez, along with the election of hundreds of subnational authorities in 2021, brought an end to the crisis of democracy that had been ongoing since the contentious elections of October 2019. However, these successful elections appear to have confirmed the deep-seated social and political divisions within Bolivian society, with MAS positioned on the left and a diffuse right-wing faction that has grown in influence throughout the 2010s. The election of Luis Fernando Camacho as governor of Santa Cruz, in particular, has further heightened the polarization. Conflict has escalated through various episodes of confrontation between the Arce administration and the regional government of Santa Cruz, supported by the region's civic committee. These tensions have culminated most recently in the indictment and imprisonment of Camacho, as well as legal proceedings against several regional and opposition leaders.

The Interdisciplinary Group of Independent Experts on Bolivia (GIEI), which is associated with the Inter-American Commission on Human Rights, has issued recommendations regarding the violent events of 2019. These, along with input from international observers, have highlighted the lack of an independent judiciary and, more significantly, the judiciary's weaponization as a tool for political prosecution. This creates incentives to resort to violence in the pursuit of political objectives – an issue that arose during the Morales administration, continued during Áñez's interim presidency, and is now recurring under Arce's leadership. Despite the Arce government's initial indication of interest in fostering social and political depolarization, it has not taken substantial measures in this direction. Furthermore, the government has displayed a notably limited approach to conflict management.

Currently, the global economic slowdown due to the pandemic and the Russian attack on Ukraine has worsened conditions. President Arce's main campaign promise was to trigger economic recovery, but only modest strides in this direction have been made thus far. Bolivia did indeed return to economic growth after the extensive quarantines of 2020. However, growth rates in 2021 and 2022 fell below international organizations' projections. Along with several other countries in the region, Bolivia did not reach pre-pandemic GDP levels until early 2023. Stagnating social development, persistent inequalities and the large informal sector are structural obstacles that cast doubt on a rapid recovery. Additionally, the significant levels of monetary and fiscal deterioration raise questions about the viability of the government's neo-developmental modernization strategy, which relies on the primary sector to promote state-led, socially inclusive development with substantial public investment and an active social policy. With seven consecutive years of fiscal deficits, a decline of the gas-based economy and alarmingly low international reserves, there are legitimate reasons to consider structural adjustments.

History and Characteristics of Transformation

Bolivia is one of Latin America's poorest countries, with significant disparities between and within its geographically, ethnically and economically diverse regions. Of growing political significance in recent times has been the regional divide between the highlands, home to the country's administrative capital La Paz, and the southeastern lowlands (known as the Media Luna), where successful agribusinesses and gas fields are situated. Until recently, Bolivia ranked among the most unequal countries in Latin America. The majority of the population has Indigenous heritage and has been disproportionately affected by a long history of systemic discrimination. The 2009 constitution formally recognized a total of 36 Indigenous peoples, with the largest populations belonging to the Quechua and Aymara communities.

The 1952 revolution brought agrarian reform, the nationalization of 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 shifting coalitions and implemented a series of market-oriented reforms. However, since the late 1990s, Indigenous and social movements have 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, civic, social, economic and 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. Additionally, 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 significantly reduced. However, with a view to the structure of the economy, 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 overcame opposition from the old political elite and, notably, from regionalist movements based in the southeastern lowland administrative departments. Since the 2009 elections, the MAS has also governed with a two-thirds majority in both houses of parliament. However, between 2016 and 2019, the opposition experienced a revival, fueled by the 2016 referendum. In this referendum, a narrow majority voted against the proposal to allow Morales to run for a fourth term in 2019. The MAS's decision to influence a lenient constitutional court to permit Morales's candidacy, arguing that limiting consecutive terms would impede his political rights, further diminished the government's legitimacy.

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. Hence, although there are no structured guerrilla groups, mafias or clans actively challenging the state's monopoly of the use of force, the geographic and ethnic diversity of the country, compounded with high levels of inequality, creates incentives for regional elites and Indigenous communities to command higher levels of legitimacy and more authority than the state. In remote areas, landowners and narcotraffickers are de facto the most important authorities.

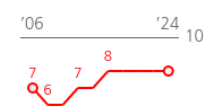
In the valleys and lowlands of the country, rich agricultural soil is threatened by armed groups. Reports of land seizures are common in the country, but two characteristics explain why this has become a major problem in this period: 1) the passiveness of the police and the judiciary, and 2) the violence and organization of criminal groups that operate under the façade of landless peasants.

All of the aforementioned results, at times, lead to tensions between these groups and the central government. In recent years, a robust regionalist movement with the potential for radicalization has emerged in the eastern province of Santa Cruz, which is the wealthiest and most populous in the country. During the latter half of 2022, the region carried out several strikes protesting the government's decision to postpone the national census from 2022 to 2024. To summarize, strikes or non-compliance with orders by 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 they do not fundamentally undermine it.

Question
Score

Monopoly on the
use of force

8



1

The Bolivian state is generally accepted as legitimate by all relevant actors in society, despite the fact that the constitutional concept of Bolivia as a “plurinational state” may, in part, remain contested in public debates – for example, regarding the recognition and rights of Indigenous “nations and peoples” vis-à-vis the notion of a “Bolivian republic” or the “Bolivian nation,” or the demand for federalism emerging from the regionalist movement in Santa Cruz. However, the state as such 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 historically disadvantaged groups.

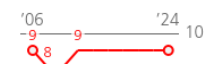
Since the country carried out a constituent assembly and reformed its constitution during the period from 2006 to 2009, Bolivia is formally a secular state. However, in recent years, demands to reform the criminal legislation on issues such as abortion have encountered fierce opposition from religious groups. Religious conservatism has played an increasingly important political role, contributing to the narrative and legitimization strategies of the opposition to the MAS.

There are functioning administrative structures throughout the country, although the state’s physical and administrative infrastructure is limited in marginalized areas. However, following the post-1994 decentralization reforms, water, sanitation, school construction and health centers have improved in rural and marginalized areas. Infrastructure received further improvements under President Evo Morales (2006 – 2019). According to World Bank (WB) data, between 2005 and 2015, the share of the population with access to improved drinking water sources increased from 83% to 90%, and the share with access to improved sanitation facilities rose from 42% to 50%. For this latter category, WB reports a share of 52.9% in 2020. The share of the population with access to basic water and sanitation is reported by WB at 93.4% and 65.8%, respectively, while the share with access to electricity is 97.6% (2020).

Administrative capabilities and resources, 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 approximately 70% of inmates in pretrial detention, according to reports. Indigenous (community) justice systems, which were officially recognized by the 2009 constitution and hold a status equal to ordinary law, provide judicial functions. However, these systems sometimes also result in tensions with ordinary state law.

State identity

9



1

No interference of religious dogmas

9



1

Basic administration

7



1

2 | Political Participation

Political representatives are elected formally in generally free, fair and competitive elections. There is universal suffrage by secret ballot. The right to campaign for elective office exists, and multiple parties with different platforms are able to run. Voter turnout rates are high, as voting is compulsory. In general, the results of elections and referendums are not questioned. Under the 2009 constitution, the members of the highest judicial tribunals have also been 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. Contradictory reports and assessments, including those by a mission from the Organization of American States (OAS), have failed to produce conclusive statistical evidence of any significant electoral fraud. However, 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. While 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 electoral crisis. Arce (55%) prevailed over moderate-right Carlos Mesa (29%) and the right-wing candidate and regional leader of Santa Cruz, Luis Fernando Camacho (14%). In an undisputed victory, the MAS party also won a majority in both chambers of the Legislative Assembly.

Subnational and municipal elections were carried out in 2021, which were also deemed to be free and fair by impartial observers. These elections showed that, although the MAS is still the largest political force in the country by far – and the only one with a consistent presence across the territory – it lost support in the larger urban centers.

On the whole, elected rulers have the 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., the United States government and international financial institutions) declined significantly. In general, the influence that remains 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

Free and fair elections

9



1

Effective power to govern

9



1

“popular sectors”), who have historically exercised a kind of veto power in different policy areas. Miners and, more recently, peasants and coca growers have shaped Bolivia’s policy in areas such as taxes, land tenure, narcotics and social security.

The freedoms of assembly and association are constitutionally guaranteed and are not restricted in principle. In practice, there is no real barrier to forming a spontaneous organization. However, when an organization turns political, especially if it takes part in protests, it can face several barriers to its functioning. Under both the Morales government (2006 – 2019) and the interim government of Áñez (2019 – 2020), civil society organizations that were perceived as belonging to the opposition were subject to attacks and intimidation by government sympathizers, as well as administrative harassment. Under interim President Áñez, this temporarily escalated into serious violent incidents – such as in Sacaba (Cochabamba) and Senkata (El Alto) in November 2019, events that have been classified as “massacres” by the Inter-American Commission on Human Rights. With regard to the Arce government (in power since November 2020), mobilizations carried out by the coca growers from the Yungas region, as well as those carried out by supporters of the regionalist movement of Santa Cruz, were met at times with police violence. Currently, the Arce administration is prosecuting the governor of Santa Cruz, Luis Fernando Camacho, for his role in the alleged coup of 2019 against Evo Morales. Several leaders from the regional movement are being prosecuted for organizing a regional strike demanding a new census in 2022.

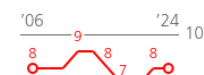
Freedom of expression is guaranteed by the constitution and generally observed. The media landscape is pluralistic due to a robust mix of state, private and church-owned media. According to the 2011 telecommunications law, television and radio frequencies have to be distributed equally between the state, the private sector and community-based small farmer and Indigenous groups. Generally, the non-state media provide vigorous reporting on controversial issues and government performance.

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. Under interim President Áñez, the same dynamics could be observed, but with different political targets, with the MAS-leaning community radio services placed under particular pressure. According to the BBC, most of these practices came to an end after the 2020 election. Against a backdrop of highly polarized public opinion, however, the Arce government has occasionally turned against critical private media, while the latter have complained about restrictions imposed by the government.

During the protests led by the Santa Cruz civic movement, journalists have been violently attacked both by detractors and supporters of the Arce administration. Recently, the national press association protested a proposed law that, while

Association / assembly rights

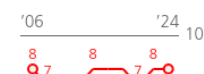
8



1

Freedom of expression

8



1

ostensibly implementing international treaties against the dissemination of racist and hate speech, would undermine the freedom of expression guaranteed in Bolivia by the printing law of 1925.

Freedom of information – and transparency – is guaranteed by the Bolivian constitution but has not yet been implemented in legislation.

3 | Rule of Law

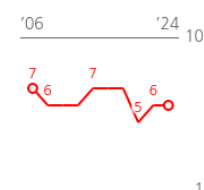
The 2009 constitution calls for a clear-cut separation of powers, particularly between the three branches of the state, with members selected in popular elections (executive, legislature, judiciary). The Electoral Organ is established as a fourth power, and vaguely defined civil-society rights to direct participation and social control introduce an additional form of (vertical) checks and balances. In practice, however, the separation of powers has weakened, especially with regard to the independence of the judiciary. On 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, which has held a two-thirds majority in both chambers of parliament since 2009. The resulting fusion of powers severely limited the opposition's ability to control the executive, shape legislation and influence the pre-selection of candidates for judicial elections. Judicial elections in 2011 and 2017 produced a judiciary lenient toward 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 Áñez presidency 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 to the Morales years.

Furthermore, partially compensating for the weaknesses in horizontal accountability, Bolivian democracy is generally characterized by relatively strong vertical checks and balances. These checks and balances include formal mechanisms exercised by subnational governments. The subnational elections of 2021 resulted in a situation in which the most influential provinces and cities are controlled by political forces that successfully posed a political challenge to the MAS. Additionally, the power wielded by social organizations and movements informally counterbalances the authority of the central government.

Separation of powers

6



The judiciary has traditionally been the weakest branch within the Bolivian government, and its independence remains significantly constrained in practical terms. The election of judges to the highest courts through popular vote, a development introduced by the 2009 constitution, has not resulted in any positive changes. On the contrary, due to the MAS's overwhelming majority in parliament, which allowed them to oversee the selection of candidates, the judges elected in the second round of judicial elections in 2017 have been widely perceived as being aligned with the government and strongly influenced by pressure groups associated with the ruling party. Furthermore, parliament has subsequently removed several judges from office, further eroding any remaining semblance of judicial independence. Simultaneously, enduring "traditional" challenges persist, including administrative deficiencies, limited resources, restricted access for ordinary (poor) citizens, corruption and political interference. Various high-profile attempts at reform were conducted during the Morales administration, yet all failed to bring about substantial change.

In response to this deep crisis of the judiciary, the Arce government initiated a reform process conducted by Minister of Justice Iván Lima but abandoned it just months later. Lima is overseeing the new elections of judges, which are due to take place in December 2023, based on a pre-selection of candidates by parliament, requiring a two-thirds majority. Lima claims that the fact that the MAS needs some consensus with the opposition for the pre-selection of candidates buys more time to carry out a profound reform. The opposition disagrees with this assessment, and civil society organizations are collecting signatures to force judicial reform via referendum. 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 the Morales, Añez and Arce administrations confirm that even high-level state officials are directly involved. The Arce government is facing several corruption complaints in areas such as deforestation concessions, million-dollar infrastructure contract adjudication, judge and district attorney appointments, and rural land regularization. Even some former ministers of Evo Morales' administration, who worked closely with Luis Arce in the previous decade, have publicly denounced corruption in the public hydrocarbons company (YPFB) involving Arce's son. In September 2022, Edwin Characayo, the former minister of rural development under Arce, was sentenced to eight years in jail for accepting money in exchange for the distribution of land titles. These scandals demonstrate that the media and the public are sensitive to corruption and that corrupt officeholders face political and legal consequences once their actions become public. However, there is limited institutional capacity and political will to systematically uncover and prosecute corrupt and illegal practices. Additionally, governments have utilized anti-corruption campaigns to selectively target political rivals.

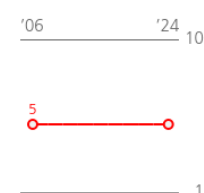
Independent judiciary

5



Prosecution of office abuse

5



Civil rights are guaranteed by the constitution and have been supplemented since 2015 by a comprehensive set of related measures aimed at promoting efforts to secure and expand human rights in Bolivia. These include the Plan Nacional de Acción en Derechos Humanos (2015 – 2020) and the Política Plurinacional de Derechos Humanos (2015 – 2020). The Defensoría del Pueblo, or Ombudsman’s Office, is responsible for monitoring and addressing human rights abuses. However, in recent years, its effectiveness has been limited due to perceptions that it was excessively aligned with the MAS party. Although the Arce administration can no longer control a bloc representing two-thirds of the Legislative Assembly, the opposition argues that they manipulated the agenda to elect a new Defensor del Pueblo on a day when several opposition members of parliament were away in their respective regions, resulting in the election of Pedro Callisaya, who is purportedly very close to the ruling party.

In practice, civil rights are not guaranteed. The political crisis of October and November 2019 was marked by severe human rights violations. More recently, amid post-electoral protests against the MAS government, vulnerable individuals lacked adequate protection from violent attacks carried out by non-state actors. International human rights organizations have accused the national police and the military of employing excessive use of force (amounting to massacres) during the Áñez presidency. Within this polarized environment, the mechanisms in place to prosecute, punish and remedy these violations have become highly politicized.

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

As Bolivian prisons are severely overcrowded, with approximately 70% of inmates in pretrial detention – often for years – prisoners experience systematic violations of fundamental civil rights. Charges of torture leveled against the police and the military go unprosecuted.

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 regarding the scope and limits of Indigenous (community) justice. However, in some cases, violations of fundamental civil rights (e.g., lynchings) continue to be wrongly justified as expressions of community justice.

In terms of gender-based discrimination, Bolivia has made important advances in recent years. The electoral code mandates that 50% of political parties’ lists be made up of female candidates. A 2016 law grants transgender people the right to change their name and gender in official documents. Although same-sex marriage is not

Civil rights

6

'06 _____ '24 10

6

_____ 1

_____ 1

acknowledged officially by Bolivian law, a December 2020 court ruling 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.

4 | Stability of Democratic Institutions

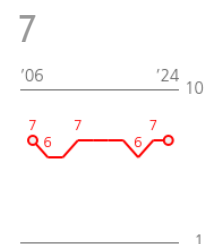
Following the forced resignation of President Morales in 2019, Bolivian democracy was thrown into a state of severe crisis. With national elections held in October 2020 and the subsequent re-establishment of a democratically elected government, this crisis was resolved through democratic means. As a result, the ensemble of democratic institutions provided by the country's constitution is generally back in place. However, political polarization and other structural weaknesses continue to limit the performance of the legislature and, most notably, the judiciary. The relationship between President Arce and the newly elected parliament, in which the MAS party no longer holds a two-thirds majority, is characterized by deep levels of mistrust. Although the government and the main opposition parties have announced plans to fundamentally reform the judiciary, there is no consensus on the way in which this should be accomplished.

In the context of Bolivia's complex system of "autonomies," there are democratic institutions at various subnational levels, with the most significant ones being the departmental and municipal levels. Generally, these institutions fulfill their functions; however, they also exhibit similar structural weaknesses and occasional conflicts between the executive (governors or mayors) and the subnational legislatures, as well as between the subnational and national levels. These tensions became prominent and impeded the country's response to the public health crisis caused by the COVID-19 pandemic.

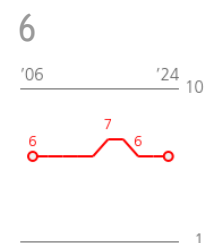
In recent years, the empirical legitimacy of Bolivia's democratic institutions has been severely eroded. This erosion began with the re-election of President Morales in 2014, which was already based on a controversial interpretation of the constitutional term limits. Later, politico-judicial maneuvers enabled Morales to run for a fourth term in 2019, based on a ruling by the Constitutional Tribunal that considered curtailing Morales' ability to run for a new term as an infringement of his "political rights." In 2021, the Inter-American Court of Human Rights released a decision stating that restricting incumbents from consecutive reelections did not violate the Inter-American Convention on Human Rights. Despite this ruling, the Bolivian state has not taken any steps to implement it.

Given the above, developments before the review period must be taken into account. The opposition to the MAS, along with increasing numbers of the population, disputed the legitimacy of Morales' presidency. These same sectors also viewed – with some justification – the judiciary and the TSE electoral tribunal as being willful executors of the president's will. The forced resignation of Morales, accused of

Performance of democratic institutions



Commitment to democratic institutions



electoral fraud, can be seen as a catalyst for these anti-Morales forces, who sought the accession to office of interim President Áñez as a return to democracy. In contrast, the MAS, along with a broad range of so-called popular sector organizations, decried this change in power as a coup d'état.

However, by striking agreements with the interim government, above all extending their legislative mandates, elected members of the MAS and key social organizations de facto legitimized the de Áñez administration. 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.

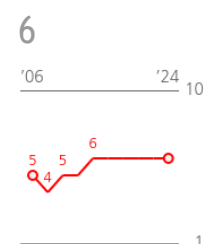
Several political leaders, including Luis Arce, floated the idea that losing the election could only be explained by electoral fraud, but almost all political forces quickly recognized the overwhelming electoral victory of the MAS. The notable exception was right-wing candidate Luis Fernando Camacho and his allies in Santa Cruz, including the Comité Pro Santa Cruz, who, for some time, claimed electoral fraud and tried to mobilize resistance to achieve an audit of the elections. Beyond these episodes, most democratic institutions have once again been accepted as legitimate by the majority of relevant actors.

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 in fact 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, particularly 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 has gradually lost support among a range of erstwhile allies. Although its surprising loss of power in November 2019 triggered a partial renewal of the MAS and a certain reconnection with its constituencies, it has also triggered internal divisions between traditional Morales supporters and new generations of leaders who claim that there has been no generational renewal in the party. These divisions have evolved into an all-out division between the faction in government, led by Arce and Vice President Choquehuanca, and the faction outside government, led by Morales. Nowadays, it is fair to say that there is an “Arcista” and an “Evista” wing in the party. However, these divisions have not crystallized into a proper rupture within the party.

Party system

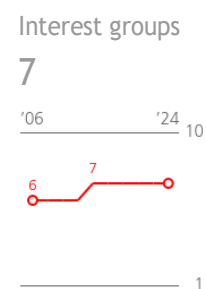


The rest of the political spectrum is characterized by a high degree of fragmentation and voter volatility. Except for the MAS, Bolivian parties can at best count on regional or local organizational structures and/or social roots. During the October 2020 elections, the organizationally strongest opposition 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 leaders. Neither Mesa nor Camacho tried to establish their own political party but rather “borrowed” the names of existing ones (FRI and MNR, respectively). The subnational elections of March 2021 showed the regional character of Creemos, which succeeded in electing Camacho as governor of Santa Cruz but failed to secure victories in other provinces or important municipalities. Comunidad Ciudadana failed to win in any region or major municipality. This shows the limitations of these political forces with regard to building 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 one hand and the fragmented opposition on the other. This polarization intensified with the political crisis of October and November 2019, the months of the Áñez government, and subsequent political campaigning. In the context of this polarization, overall voter volatility has been remarkably low, with roughly a majority supporting the MAS and a third supporting the center-right opposition. Clientelism plays an important role in all political parties.

There is a wide 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, particularly in Santa Cruz. Additionally, 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 wide 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 organizations (e.g., CSUTCB) and Indigenous movements (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 might be expected in a capitalist society, business associations benefit from their structural (investment) power. However, many organizations representing the lower classes – the so-called popular sectors – and students display an impressive capacity



to mobilize their supporters, while some can also use their direct influence within the governing MAS party, which was born as a political instrument founded in an alliance between several popular-rural interest groups.

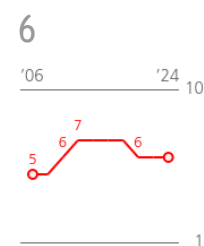
Bolivian interest groups are typically highly politicized. The overall polarization, which has intensified in recent years, is evident in the interactions between societal groups. Specifically, the political crisis in October and November 2019 was defined by violent clashes between pro- and anti-MAS groups. However, conflicts also exist between explicitly Indigenous organizations such as CIDOB and CONAMAQ and organizations that represent peasants, including Indigenous colonos, which are more class-based. Consequently, there is often little inclination to work together and find common ground.

According to Latinobarómetro data, support for democracy has declined continuously in recent years, despite a significant increase during the first years of the Morales government. The share of the public expressing such support dropped from 71% in 2009 to 64% in 2016, 59% in 2017 and 53% in 2018, before registering a minor increase of 1 percentage point in 2020 (leaving it still above the regional average of 49%). In 2018, only 24% indicated that the type of political regime would not matter to them. However, by 2020, the share expressing indifference had increased to 27%, aligning with the regional average. This was an increase from 2018, when the country was 4% below the regional average in this area. It is worth noting that this rise in indifference has resulted in a decrease in authoritarian tendencies. In 2018, 12% of respondents declared an authoritarian regime to be preferable to democracy. However, this figure fell to just 10% in 2020, in line with the average regional reduction from 15% to 13% during this period.

With regard to performance, the share expressing satisfaction with democracy in Bolivia, which 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 stabilized at 26% between 2018 and 2020. During the same period, the Latin American average increased from 24% to 25%. The share expressing approval of the government fell dramatically, from 47% in 2018 to 21% in 2020. The statement that the government acts in the interest of the people received support from 25% of survey respondents, significantly less than the 33% recorded in 2018, but slightly higher than the regional average of 22%.

Trust in specific political institutions is generally low. In 2020, the most recent year for which Latinobarómetro data exists, 25% of respondents expressed trust in the government (down from 33% in 2018, below the Latin American average of 27%). Twenty-seven percent said they trusted the parliament (down from 28%). An even lower share expressed trust in the judiciary (20%) and, at the bottom, in political parties (16%). While 41% said they trusted the military and 27% trusted the police, the most trusted national institution continues to be “the church” (65%).

Approval of democracy



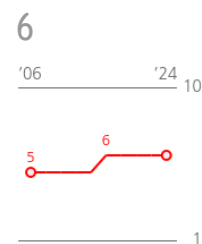
According to the most recent LAPOP data (from the 2021 survey), the share of the public expressing support for democracy (as the comparatively best regime) in Bolivia stood at 61%, while the share expressing satisfaction with democracy was at 43%. Remarkably, in this survey, 46% of respondents expressed their willingness to tolerate a military coup against a highly corrupt government.

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, such as in El Alto, the degree of social self-organization is remarkably high.

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

As in most Latin American countries, levels of interpersonal trust are not very high. According to Latinobarómetro 2021, in 2020, 13% of the respondents expressed trust “in the majority of the people” (regional average: 12%). Due to the high degree of fragmentation of Bolivian society along socioeconomic, regional and ethnic lines, trust and solidarity rarely stretch beyond specific subgroups or communities. In particular, at the local – community or neighborhood – level, a strong sense of solidarity tends to prevail. During the COVID-19 pandemic, self-help organizations played an important role in balancing the weak public policy response at different levels of government.

Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Socioeconomic barriers are widespread and structurally embedded, both quantitatively and qualitatively. There are significant levels of poverty as well as multiple social inequalities. From 2005 to 2018, the extreme poverty rate decreased from 38.2% to 15.2%, and the moderate poverty rate decreased from 60.6% to 36.4% in 2017. Data from the World Bank reveals that in 2020, 6.4% of individuals were living on less than \$3.65 per day, with this rate decreasing to 5.4% in 2021. Additionally, the percentage of people living on less than \$2.15 per day was 3.1% in 2020 and 2.0% in 2021. According to the National Institute of Statistics (INE), using the national poverty line, 11.1% were living in extreme poverty and 36.6% in moderate poverty in 2021. The country's Human Development Index (HDI) score increased from 0.697 in 2015 to 0.718 in 2019, placing Bolivia in the high human development category, with a ranking of 107th out of 189 countries. However, the score dropped in 2020 to 0.694 and continued to decrease to 0.692 in 2021, resulting in a ranking of 118th out of 189.

The Gini index score dropped consistently from 0.565 in 2007 to 0.422 in 2018, but due to the pandemic, it rose again to 0.436 in 2020. According to INE data, it decreased once again to 0.420 in 2021. The overall reduction in the HDI score due to inequality declined from 34.2% in 2011 to 20.7% in 2021, but this figure remains higher than the regional average. The country's score on the UNDP's Gender Inequality Index has also shown significant improvements since 2005 (score 0.550), reaching 0.418 in 2021. Nevertheless, significant inequalities persist. Indigenous peoples, rural residents and women in particular are subject to socioeconomic discrimination. Women, rural populations, and Indigenous and Afro-Bolivian people have above-average poverty rates, confirming the structural nature of Bolivia's multiple socioeconomic barriers.

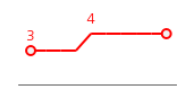
Economic indicators		2019	2020	2021	2022
GDP	\$ M	40895.3	36629.8	40408.2	43068.9
GDP growth	%	2.2	-8.7	6.1	3.1
Inflation (CPI)	%	1.8	0.9	0.7	1.7
Unemployment	%	3.7	7.9	5.1	4.4

Question
Score

Socioeconomic
barriers

4

'06 '24 10



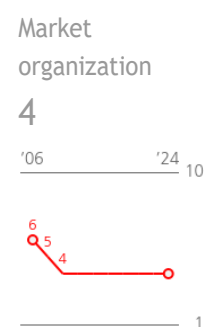
Economic indicators		2019	2020	2021	2022
Foreign direct investment	% of GDP	-0.5	-3.1	1.4	0.0
Export growth	%	-1.8	-18.8	15.4	-
Import growth	%	1.5	-25.0	15.7	-
Current account balance	\$ M	-1366.1	-26.1	871.2	-183.6
Public debt	% of GDP	59.3	78.0	81.4	80.0
External debt	\$ M	14301.2	15420.1	15964.1	-
Total debt service	\$ M	1079.4	1175.6	1470.8	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	18.1	19.7	19.3	-
Public education spending	% of GDP	8.1	8.4	-	-
Public health spending	% of GDP	4.9	5.6	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.5	1.4	1.4	1.5

Sources (as of December 2023): 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 in the legal framework, a cumbersome legal system and the prioritization of government decisions and public investments. With the exception of the so-called strategic sectors – economic spheres that the government considers to be of public interest for national development – there is no formal requirement for Bolivians to own shares of companies or for foreign equity to be limited over time.

There are significant imbalances between competitive export-oriented sectors such as 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. Consequently, there is substantial state participation and intervention in strategic sectors, most notably Bolivia's hydrocarbons sector. The nationalization declared in 2006 has resulted in increased duties on gas and oil companies and the revival of the traditional state-



1

owned petrol company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), as a major player in the sector. Moreover, additional “nationalizations” have affected foreign companies across various sectors, including mining, energy and telecommunications. However, the 2009 constitution prohibits any international arbitration of investment disputes. Consequently, Bolivia’s degree of investment freedom, as measured by the Index of Economic Freedom 2022, is very low, qualifying as “repressed.” Overall, Bolivia ranks 169th out of 177 countries on this index. Furthermore, administered prices are in place for petroleum products, potable water and certain staple foods.

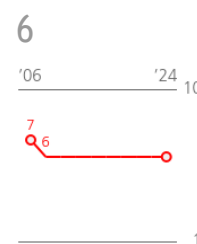
The 2009 constitution envisions a “plural” economy consisting of “communitarian, state, private and social cooperative” forms of economic organization, and prioritizes domestic over foreign investment. In general, Bolivia is open to foreign trade and investment, and the 2014 investment law guarantees 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, with telecommunication infrastructure having been added to this list more recently. 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), the rate of informal employment in nonagricultural sectors reached 79% in 2019. The economic impact of the COVID-19 pandemic and the recurrent social and political conflicts of the past three years were partly mitigated by the flexibility and resilience of the informal economy.

The aforementioned obstacles are compounded by the tax system, which is one of the main hindrances to market competition. A weak institutional framework operates in this area, where formal enterprises bear a heavy fiscal burden and face unclear and bureaucratic administrative procedures. According to the 1841 Foundation, Bolivia ranks 7th among countries worldwide with the worst tax systems. Companies encounter escalating inspections, leading to hefty fines.

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. However, 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. The institution in charge is the Autoridad de Empresas (Enterprise Authority). Bolivia is not a member of the International Competition Network.

Competition policy



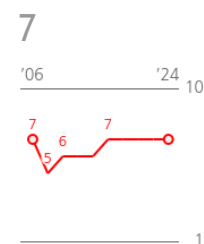
Since 2006, the return to stronger state intervention has favored state and parastatal monopolistic tendencies in a select number of sectors, most notably hydrocarbons and telecommunications. In the hydrocarbons sector, the state-owned Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) regained control of the production and distribution chain, while multinational companies were still permitted to operate in the country. The telecommunications sector is dominated by three major companies that offer internet access, mobile communication and television services. The largest among these is the state-owned Empresa Nacional de Telecomunicaciones (ENTEL), which has control over the infrastructure, including access to international internet cables. Regarding the media, the Morales administration initially announced that all media company licenses would expire in 2018 and be renewed through a public tender process. However, the government later retracted this decision and automatically extended the existing licenses for an additional 15 years. The 2009 constitution prohibits large land holdings and sets an absolute limit of 5,000 hectares. However, since this clause is not applied retroactively, its impact on land distribution has been limited.

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 imposed for several products – the maximum tariff the country can charge according to the bounded tariffs it has with the 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 2021 amounted to 11.8% (WTO). In addition, there are still several non-tariff barriers. Restrictions (export quotas) on agricultural and agribusiness exports are the main concern for exporters in the lowlands of the country, given that they are applied to some of the largest agricultural exports, such as soy oil, meat and sugar.

Bolivia has been a member of the WTO since 1995 and is additionally a part of the Andean Community (CAN), UNASUR, ALBA-TCP, CELAC, ALADI, SELA and others. It was an associated member of Mercosur for many years before signing up for full membership in 2015; however, ratification is still pending.

Bolivia withdrew from trade negotiations with the United States and the European Union but has continued to establish joint cooperation frameworks with the European Union. The U.S. government’s revocation of a number of trade preferences and the suspension of Bolivia’s inclusion in the Andean Trade Promotion and Drug Eradication Act (ATPDEA) in 2008, which followed a severe crisis in bilateral relations, have contributed to a growing trend of diversification among trade partners. Export markets in Latin America, specifically Brazil and the Asia-Pacific region, notably China, have become increasingly significant.

Liberalization of foreign trade



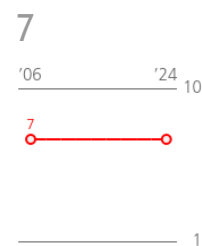
The Arce government is critical of free trade agreements. Moreover, interventionist policies have increased since early 2021, as import substitution is one of the pillars of the development plan. The government has repealed several liberalization decrees that were passed during the Áñez administration. Tariffs were raised to approximately 40% for various manufacturing industries, including ceramics and tiles, glass containers and basic agricultural goods.

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 are two state-owned banks, 14 private general banks, and approximately 43 smaller and specialized financial entities and cooperatives in operation. 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 1.5% in 2020 and 2021. The bank capital-to-assets ratio decreased from 7.7% in 2012 to 6.9% in 2019 and 6.8% in 2020. 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 rates and minimum lending quotas for the productive sector and social housing. According to the 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 Arce administration placed an additional burden on banks as the regulatory authority introduced a mandatory grace period in which banks cannot charge any capital amortization on productive loans, only interest, which in practice is a further extension of deferral. In 2022, a decree was approved that obliged banks to use an additional 6% of revenue in productive credits.

Currently, the banking system is stable. According to the Report of Financial Stability by the central bank (BCB), assets grew by 7.7% in 2022 as compared to 2021, mostly due to credit growth. Deposits also increased by 7.3%, specifically with regard to fixed-term deposits from the public. However, one consequence of the economic slowdown is the rising credit arrears, which reached 2.3%, although this remains lower than the regional average of 3%.

Banking system



8 | Monetary and fiscal stability

According to the World Bank, the inflation rate has consistently decreased since 2012, reaching a historic low of 0.7% in 2021 and 1.7% in 2022, despite the upward pressure on prices worldwide. In fact, in the post-pandemic period, Bolivia is among the few countries globally in which price increases have not been a significant issue. The central bank's policy of maintaining a stable nominal exchange rate with the U.S. dollar since late 2011 has successfully discouraged devaluation expectations.

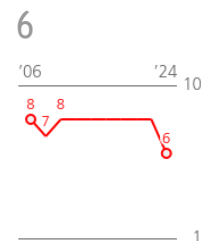
Nevertheless, the downside of this policy is that international reserves – on which the whole model is based – have reached levels that pose a threat to overall macroeconomic stability. Since 2015, they have fallen substantially as trade and account balances have gone into deficit due to plunging commodity prices and falling gas and oil production. This phenomenon worsened due to the COVID-19 pandemic. From \$6.27 billion (16% of GDP) in 2020, reserves had fallen to \$4.0 billion by December 2022, according to BCB data. Moreover, the situation is quickly deteriorating given that liquid reserves – dollars and other currencies – reached less than \$800 million in December 2022, falling to roughly \$372 million in February 2023, which is not enough to cover even one month of imports. The question is when and how the current fixed-exchange regime might be modified. 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 151 in 2021.

The BCB is intentionally not independent. In accordance with the 2009 constitution, the government sets monetary and exchange-rate policy objectives “in coordination with the central bank.” And, according to statements by high-ranking authorities, these conditions will not be modified in the foreseeable future.

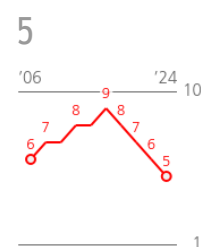
With the end of the commodity boom, twin deficits (in the country's current account balance and fiscal budget) reemerged in 2015. Since then, the government has implemented a countercyclical spending strategy, assigning a key role to public investment. This expansive fiscal policy, resulting in a growing budget deficit every year, has successfully counteracted the economic slowdown caused by the decrease in international prices. However, as the twin deficits have continued to expand, this policy has become increasingly unsustainable. In 2022, the fiscal deficit reached 7.9% of GDP, mainly thanks to deficit-ridden public companies and fuel subsidies that exceeded \$4.2 billion (11% of GDP) in 2022. International reserves have continued to fall, reaching levels that pose a threat to the country's overall macroeconomic stability.

The political crisis that has lingered since October 2019 and the COVID-19 pandemic have further reduced growth rates and revenues, in part due to the sharp decline in commodity prices – thereby also increasing fiscal pressures. Upon taking office, President Arce approved a law authorizing loans from the World Bank and the Inter-

Monetary stability



Fiscal stability



American Development Bank (IADB) totaling \$700 million to fund the Bono Contra el Hambre, a one-time unconditional \$150 cash transfer to poor households. Parliament also passed a bill to tax the 150 wealthiest individuals in the country, which was projected to generate approximately \$14 million. In 2021 and 2022, the government continued to rely on borrowing for current expenditures. The fiscal deficit is being financed with loans from the central bank and debt bonds purchased largely by the country's own pension funds (AFPs). Internal debt reached \$14.3 billion in 2021, while external debt reached \$15.4 billion, according to the World Bank. Overall, public debt rose from 38.7% of GDP in 2015 to 59.0% in 2019 and 80.5% in 2021.

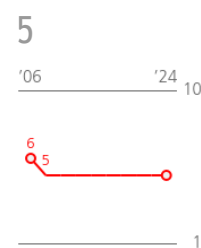
9 | Private Property

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 consistently implemented or safeguarded against state intervention. In cases of expropriation under the Morales government, appropriate compensation was not guaranteed by well-defined procedures and transparent criteria but rather 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. However, this is not applied to already existing agrarian property. Land not fulfilling its “social-economic function” can be confiscated, although this has only occurred in a few individual cases.

Land seizures in rural areas have become a major issue, in contrast to previous periods in which clear efforts were made to prevent or combat this problem. In the valleys and lowlands of the country, access to rich agricultural soil is being threatened by armed groups. These groups are operating under the guise of an Indigenous social movement of landless peasants from the highlands, formerly known as Colonos (renamed multiculturalists since 2008). As a result, this problem has taken on a new dimension due to two distinct characteristics: 1) the passivity of the police and the judiciary, and 2) the violence and organization of criminal groups that masquerade as landless peasants. However, it is still not entirely clear why and how landless peasants have become involved with armed groups. According to certain press reports, these criminal groups are directly linked to drug trafficking mafias that operate in the country.

Property rights



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 rather to new forms of (mostly individually negotiated) cooperation between public and private (foreign) companies, featuring significantly increased participation and control by the state.

Since the election of Luis Arce, the operation of private companies in Bolivia has been hindered. As outlined in Arce’s public statements and his National Development Plan (PEDES), the state, not the private sector, is regarded as the primary driver of national development. In practice, the most notable impact has been the creation of more than 40 public companies over the past two years, with the aim of competing with private ones. This has been accompanied by the “nationalization” of the Enterprise Registry (FUNDEMPRESA), which authorizes the creation of new enterprises. The financial sector has also been heavily affected. Since 2021, a prohibition on the distribution of profits has been in force, and banks, insurers and stockbrokers are obliged to reinvest them. Since the beginning of 2023, to counteract the low levels of foreign exchange reserves in the central bank, commercial banks have been required to reduce their own level of banking reserves. Finally, there are increasing reports of companies being harassed by the internal revenue service. Inspections and fines have become a widely used instrument in the political conflict between the current government and companies, mainly in the Santa Cruz region.

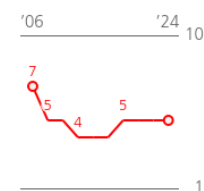
10 | Welfare Regime

Bolivia’s social security system is still fairly limited. Social safety nets are fragmented, and coverage – despite improvements – is far from universal or equally distributed. Since 2006, the MAS government has relied especially on cash transfer programs, which are the principal mechanism for providing (limited) social security and fighting poverty. Currently, there are two conditional social programs that support children who continue basic education (Bono Juancito Pinto) as well as pregnant women and young mothers who seek medical care (Bono Juana Azurduy).

In 2008, a tax-financed state pension known as Renta Dignidad was introduced for all citizens over 60 years old. In December 2010, the pension law was amended to replace private pension funds with a public entity, and the retirement age was reduced from 65 to 58 years. However, the contributory pension system has remained stagnant with low coverage, estimated at 15%, the lowest rate in the region. This is primarily due to the large size of the informal sector and widespread tax evasion, even within

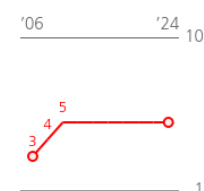
Private enterprise

5



Social safety nets

5



the formal economy. The private administration of the pension funds was brought to a close, with responsibility given instead to a public company called Gestora, resulting in the nationalization of the two previous companies, despite the shares held by foreign capital.

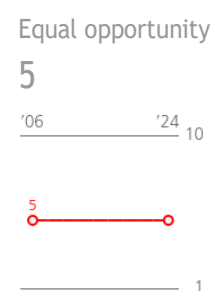
The second classic pillar of social safety nets, the health system, is considered to be one of the least efficient in Latin America. The health system in Bolivia consists of two broad areas: public and private. The public component is divided into the Ministry of Health and the social sector (Caja de Salud). According to the 2009 constitution, all people have the right to public, free health insurance. However, in practice, this does not happen. In 2021, 51% of Bolivia's inhabitants had no health insurance at all (data from the Ministry of Health). The rate of informal labor, which has always been high in the country, reached almost 80% in the post-pandemic period. This means that only 20% have the possibility of a stable monthly income, paid leave, a contribution to the pension fund, or access to the semi-public health system.

Tariffs for electricity and water for low-income households are subsidized, and the minimum wage has been raised consistently since 2006. Under the MAS government, total social spending per person has risen notably, as has public investment in essential social services. Public spending on health care, although it experienced gradual growth after 2012, has fluctuated between 4.6% of GDP in 2014 and 4.9% in 2019. Life expectancy at birth has shown a steady increase, reaching 69.1 years in 2016 and 71.8 years in 2020.

Bolivia is characterized by multiple structural social inequalities. Although formal guarantees of equality of opportunity are in place and recent years have seen improvements, practical implementation is lacking. At present, women hold the majority of seats in the Chamber of Senators for the first time in the country's democratic history, as well as just under half the seats in the Chamber of Deputies. In general, the new Congress exhibits nearly equal representation between women and men.

In addition, the 2018 Law on Political Organizations requires all political parties and civic associations to submit to a binding "regime of depatriarchalization" for "the promotion of parity and equivalence" (Article 18) and demands that lists of candidates show "parity and alternation." According to World Bank data, the female-to-male enrollment ratio was 1.0 in 2020 at both the primary and secondary education levels. The share of the labor force made up by women has risen in recent years, increasing from 42% in 2017 to 44% in 2020 and 45.1% in 2021.

Members of Indigenous peoples, particularly those from rural areas, have significantly fewer opportunities than their non-Indigenous counterparts to obtain higher education, secure formal employment and escape poverty. However, notable improvements have been observed, and the overall situation is considerably better



than it was 20 years ago. Since 1990, and especially since 2006, Indigenous access to public office has experienced a dramatic increase. The implementation of popular elections for the highest judicial organs has also led to a substantial rise in the number of female and Indigenous judges at this level of the judiciary. In late 2008, with the assistance of Venezuela and Cuba during a three-year literacy campaign, Bolivia was proclaimed illiteracy-free by UNESCO. Despite these accomplishments, recent World Bank data on adult literacy rates highlight persistent gender-based inequalities. The literacy rate among women has consistently risen, reaching 93.9% in 2020 and narrowing the gap with the rate among men, which reached 97.4%. Gross enrollment rates have also improved, reaching 98.8% at the primary education level and 90.2% at the secondary level.

11 | Economic Performance

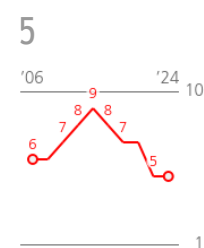
Even before the pandemic, Bolivia's economic performance was on a downward trend, falling from GDP growth rates of between 5% and 7% per year (2011 – 2014) to 4.2% in 2018 and 2.2% in 2019. The pandemic's impact on economic performance was quite severe in 2020, and the recovery in 2021 and 2022 was below expectations. GDP per capita growth for these years was respectively -10.0%, 4.7% and 2.1%. GDP per capita reached \$3,370 in 2021 and \$3,437 in 2022.

Key concerns for the country's macroeconomic stability include the twin deficits, namely the external and internal imbalances. First, lower commodity prices, a decline in gas production and falling remittances from abroad have led to seven consecutive years of deficits in the current account, beginning in 2015. In 2020, the value of total exports declined by more than 20% compared to 2019, and international reserves fell to their lowest level since 2006. According to the National Institute of Statistics, exports recovered in 2021 and 2022, reaching \$11 billion and \$12.6 billion, respectively. However, the recovery of imports and a net withdrawal of foreign direct investment caused further declines in the country's international reserves. Liquid reserves (excluding gold) fell below \$800 million by December 2022 and below \$372 million by February 2023.

Secondly, due to continuing high levels of public spending and a gradual decrease in tax revenues and royalties, the fiscal deficit has remained at high levels, reaching 9.3% in 2021 and 7.9% in 2022. A significant portion of the state income comes from gas exports, but these exports have been declining since 2014. Starting from almost \$6.1 billion, they have consistently decreased, reaching \$1.98 billion in 2020 and \$2.23 billion in 2021. With lower government revenues and limited potential for spending cuts, public debt increased from 35.3% of GDP in 2011 to 80.5% in 2021.

Other indicators corroborate the decline in output strength. Gross capital formation, which had risen to 22.2% of GDP by 2017, fell to 19.9% in 2019 and 16.8% in 2021. Net foreign direct investment has been negative at -0.5% of GDP since 2019, reaching -3.5% in 2020. ECLAC reports a negative balance of \$1.2 billion for 2021 as well.

Output strength



The unemployment rate, as measured in WDI 2020 terms, remained relatively low until 2019 at 3.8%, but subsequently experienced a sharp increase, reaching 7.9% in 2020 and 8.5% in 2021. However, real unemployment rates are higher, though difficult to measure due to the high levels of informality in the country.

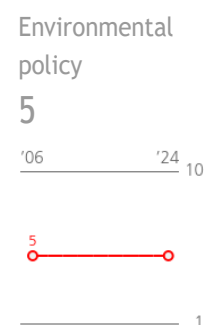
12 | Sustainability

Environmental concerns receive relatively little attention at both the macro and micro levels. The tension between growth and sustainability is a matter of conflict within the MAS and, therefore, within the different branches of government. Official rhetoric places environmental care above economic revenues, following the Andean cosmological 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, 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”). 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.

Currently, deforestation is a major issue. At per capita levels, Bolivia is among the countries with the highest deforestation rates in the world. Moreover, illegal mining in the Amazon jungle and protected areas, mainly for gold, is spiraling out of control, with significant social, environmental and health consequences. Indigenous communities are being forced out by armed groups, leading to the excessive use of mercury, which the United Nations has also deemed to be out of control in the country. As a result of the government’s unwillingness to address the issue, Bolivia has become the second-largest importer of this hazardous substance, using it not only domestically but also illegally exporting it to Peru and Brazil. Official complaints from both nations have been lodged.

Moreover, the Arce government has implemented a number of measures to legalize this kind of activity. A new law passed in October 2022 entailed various benefits for miners, such as the authorization to extract metals in previously untapped territories and the establishment of a mandatory 4% government levy. Concerning deforestation, Arce declared that a key component of his strategy involves the conversion of the northern region of the country, primarily the Amazon jungle, into a burgeoning agricultural zone. Additionally, he unveiled plans for a fresh waterway connecting to Brazil.

In the agricultural sector, the MAS government has actively promoted the expansion of agribusiness at the expense of forest protection. In 2019 and 2020, large fires burned uncontrollably for several weeks in the Amazon region. The presidential decrees authorizing controlled burning to increase arable areas have not been



repealed. This practice persisted in 2021 and 2022, with almost 20,000 fires occurring simultaneously. Furthermore, there has been an increase in authorizations for deforestation. Between 2002 and 2021, Bolivia lost 2.2 million hectares of primary humid forest, representing a 51% loss.

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 global levels. However, despite the arrival of climate change in the form of melting Andean glaciers (with consequences for water supply), the MAS government has refrained from setting a national target for reducing greenhouse gas emissions. The new NDC presented in 2022 made progress on energy and water issues, although its proposals on other topics such as forests and water were insufficient. Plans and additional indicators were increased, but concrete policies for combating climate change remain scarce.

The public and private institutions for education, training and research and development are highly diverse and exhibit significant deficiencies, particularly in terms of R&D. They are unequally distributed, primarily concentrated in urban areas, and often nonexistent 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 a range of 6.0% to 7.5% since 2006. Between 2013 and 2014, it rose from 6.3% to 7.3% of GDP, ultimately reaching 8.9% in 2018. On the other hand, research and development expenditures have consistently been very low, accounting for only 0.2% of GDP in 2014, according to the most recent available data.

Under the Morales government, basic education was prioritized and significant achievements were made in combating illiteracy and expanding primary education. The overall adult literacy rate in 2020 stood at an impressive 93.9%. Additionally, the government established three universities dedicated to Indigenous languages, such as Aymara, Quechua and Guaraní. While public universities benefited from the unprecedented gas revenues during the economic boom, their overall quality has not noticeably improved. In the U.N. Education Index (among the 134 BTI countries surveyed), Bolivia was ranked 41st with a score of 0.743 in 2021, placing it 8th in the region and on a par with Costa Rica (0.753) and Peru (0.757).

Education policy /
R&D

5

'06 '24 10

4 5

1

Year	Score
2006	4
2010	5
2024	5

Governance

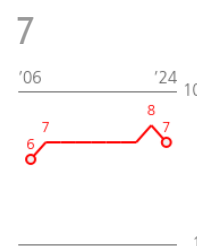
I. Level of Difficulty

Structural difficulties have not substantially changed in recent years. First, Bolivia is a landlocked country characterized by extreme geographical disparities and is frequently hit by natural disasters – especially floods associated with the El Niño phenomenon, severe droughts and 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 are limited. Fourth, ethnic fragmentation, a long history of ethnicity-based discrimination, and additional cleavages along the lines of local and regional identities generate low levels of trust, frequently inflame conflicts and make it difficult to reach a consensus on questions of national development. On the positive side of the equation, the level of political violence is comparatively low, and the democratic rules of the game are generally accepted, if frequently bypassed.

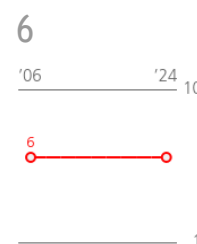
In addition, the pandemic has had serious effects on economic performance, further solidifying the economy's structural informality and its connections to illegal activities. The slowdown in the economy has had significant repercussions on employment, and the extensive size of the informal sector has obscured the true extent of the impact. Notably, there has been an increase in illegal activities, including the smuggling of everyday consumer goods, drug trafficking and illegal mining. Although precise data on these matters is difficult to obtain, an analysis of mainstream media in the country reveals a noticeable surge in issues associated with these three topics.

Bolivian society is characterized by an exceptionally broad and active range of civic associations. Civil society organizations of all kinds have a long-standing tradition, and levels of public and civic engagement are remarkably high. However, civil society is fragmented and openly polarized along communal, regional, sectoral, ethnic and politico-ideological lines. Social trust is weak. Generally, societal organizations are 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 self-help purposes demonstrates a significant amount of social

Structural constraints



Civil society traditions

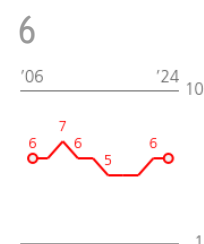


capital, the fragmentation of solidarity and the presence of rivalries and conflicts between societal organizations suggest that social capital in Bolivia tends to be primarily bonding and in-group-oriented rather than bridging and integrating different groups.

Levels of conflict have traditionally been high in Bolivia, particularly during and after the 1952 revolution and under military dictatorships. This conflict persisted during the (neo-)liberal restoration efforts of the 1980s and 1990s, and more recently during the increasing levels of social polarization in the early 21st century. The rise of Indigenous/social movements and the MAS since 2000 further intensified this divide, resulting in society and political elites being increasingly split into two camps associated with different regional, ethnic and class identities. These two camps represent (broadly) two different projects of development and competing understandings of democracy.

This polarization reached its peak during an open political crisis in September 2008, when protests by conservative autonomy movements in the lowland departments escalated. It reached another climax in October/November 2019 with allegations of electoral fraud and the subsequent forced resignation of President Morales, which sparked waves of mass protest. Both instances of conflict escalation involved serious violent incidents, potentially pushing Bolivia to the brink of civil war. However, as in 2008, the most recent crisis was resolved through negotiations and compromise, and ultimately, democratic procedures were employed (in this case, through the new general elections of 2020). Nevertheless, the severe polarization of Bolivian politics and society persists to this day and has been further reinforced by events since October 2019, particularly evident in the series of conflicts between the central government and Santa Cruz since 2021. At the same time, however, both the MAS camp and opposition groups are highly fragmented. Generally speaking, mobilized groups and protest movements hold significant sway in Bolivian politics.

Conflict intensity



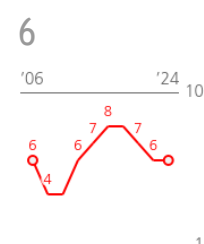
II. Governance Performance

14 | Steering Capability

Following the ultimate aim of “improving the quality of life and the good living of all Bolivians” as stated in the constitution, the MAS governments have 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. In 2020, the MAS returned to power when President Arce and Vice President Choquehuanca took office. Generally speaking, the current government still follows the strategic priorities set by the Morales government, laid down in the

Question
Score

Prioritization



Economic and Social Development Plan (2021 – 2025) (“Reconstruyendo la Economía para Vivir Bien, Hacia la Industrialización con Sustitución de Importaciones”). These include 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 that seek to address the socioeconomic consequences of the COVID-19 pandemic: 1) reactivation of the economy and 2) mitigation of the social impact of the pandemic.

However, conflicts within the Movement for Socialism (MAS) evolved and intensified significantly during the review period. While there are still some differences between Arce, who prioritizes economic growth and redistribution, and Choquehuanca, who emphasizes the Indigenous vision of “Buen Vivir,” tensions have also increased with Evo Morales, who maintains a strong presence and continues to officially lead the MAS party. However, Morales seems to have his own agenda and is also facing increasing internal opposition. Despite rhetoric that emphasizes a clear separation of tasks between the state leadership (Arce and Choquehuanca) and the party leadership (Morales) – even accusing each other of being drug lords, thieves and corrupt – prioritization is currently taking place within the context of widening divisions between different MAS blocs.

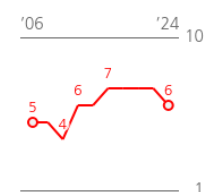
With Morales’ unified leadership of both the party and the state gone, the overall capacity of the MAS government to define and maintain its strategic priorities is significantly lower. Increasingly, Arce’s administration has to deal not only with public policies but also with internal struggles within the MAS. This partly explains the government’s persecution of political and social leaders, as an effort to demonstrate strength to the more radical wing within the MAS. Additionally, everyday actions by Arce’s government face scrutiny, not only from the political and regional opposition but also from Evo Morales’ followers. This political struggle leaves little room for maneuver for Luis Arce and David Choquehuanca, who have opted for social confrontation instead of reconciliation.

Bolivia’s government during the period under review has been less effective than previously in implementing its strategic goals because most of its energies were absorbed by constant polarization and conflict, as well as internal struggles within the MAS. Arce’s political agenda essentially continues the agenda of the Morales government, in which he served as the minister of economy.

In terms of short-term goals to mitigate the social and economic impact of the pandemic, the Arce administration primarily focused on improving the external environment. Regarding medium- and long-term objectives, the primary strategy of industrialization through import substitution has faced significant structural constraints. These constraints include the ongoing reliance on natural resource extraction and agro-industrial production, challenges in attracting foreign direct

Implementation

6

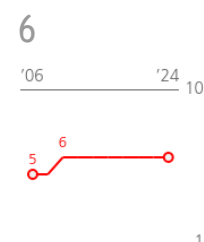


investment, an overvalued exchange rate and regional integration norms that restrict the ability to impose tariffs on most South American countries. Moreover, the dependence on resource extraction and agribusiness undermines the government's stated commitment to respecting Indigenous collective rights ("consulta previa") and the environment ("madre tierra"). As the government attempts to reconcile a resource-based neo-developmental model with a focus on Indigenous and environmental concerns, its official agenda remains highly contradictory.

The effective implementation of policy measures will continue to be hampered by weak institutions and administrative capabilities, as well as political problems. However, the growing internal conflicts within the MAS are becoming the main obstacle to policy implementation. Public officials selected by Arce and Choquehuanca are facing increasing scrutiny from Evo Morales' followers, with allegations of corruption and drug trafficking being made against high-ranking government officials such as the minister of interior. Furthermore, this struggle has translated into the legislative branch, where MAS congressmen and congresswomen have voted against each other on two highly publicized laws – the census and the state budget. Finally, social protests by competing social organizations and movements will continue to limit the government's capacity to implement its policies.

There is limited evidence that institutionalized mechanisms of policy learning are functioning in Bolivia. Instead, innovation and flexibility tend to emerge through trial and error or simply by muddling through. In terms of policy learning, continuities prevail. The Arce administration is following the approach of the Morales government, which previously embraced maximalist and often polarizing positions before shifting toward a search for compromise and pragmatic solutions. This can be seen in how the Arce administration responds to riots and strikes from unions and associations that historically support the MAS, such as the neighborhood associations from El Alto or the miners' unions. The economic slowdown has increased pressure on the government, with social movements and illegal economic activities making increasing demands. However, there is a firm stance taken against the demands made by businessmen and regional elites, while a more flexible and pragmatic position is observed regarding social movements. For instance, after just one day of protest by cooperative miners, the government reversed its position. In contrast, it took 36 days of a general strike in Santa Cruz (the most economically dynamic region) to reach a tentative agreement.

Policy learning



15 | Resource Efficiency

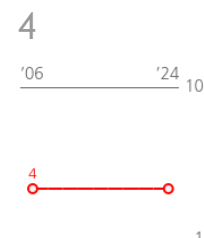
The severe political and social crisis that erupted after the 2019 elections, accompanied by two transfers of political power (from the MAS to the interim government led by Áñez and back to the MAS), has adversely affected the efficient utilization of human, financial and organizational resources. Despite the presence of a democratically elected government, structural issues continue to persist. The overall public administration of the country is overstaffed, lacking in professionalization, inefficient, and regularly plagued by corruption and clientelism. High turnover rates are observed at all levels, while recruitment processes lack transparency and are influenced by politics. Furthermore, the reform of public administration remains 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. The increase in commodity prices in the past years did not alleviate this situation. This is primarily due to the diminishing production of natural gas, which accounted for half of the total exports.

Government plans to maintain stable levels of public expenditure and public investment have not always been put into action; rather, state debt and external debt have consistently risen, a situation exacerbated by the pandemic. According to World Bank data, the gross public debt reached 80% of GDP in 2021. These elevated levels of public and external debt have raised concerns about the long-term viability of the MAS's development model, which seeks to sustain economic growth through public investment.

The efficiency of public spending in general saw little improvement during the period under review. Auditing of state spending is supposed to be performed by the comptroller of the state (Contraloría General) and the Legislative Assembly. However, MAS control of both entities limits effective control and regulation. In addition, days before President Arce was inaugurated, MAS representatives in the Legislative Assembly approved a change to the internal rules, by a two-thirds margin, that will allow almost all laws to be approved by a simple minority of 51% in the future. In the past two years, this has had a huge impact on the independence of the assembly's work. As an example, the discretionary change of dates and times of the sessions led to lower attendance rates by opposition parliamentarians on several occasions. Moreover, ministers have failed to appear during motions of censure attempted by the opposition, and in some cases, parliamentarians have found it impossible to access basic public information.

Efficient use of assets



The Arce government faces difficulties in resolving conflicting objectives into a coherent policy. It is forced to grapple with a wide range of objectives, as different groups and factions within the governing MAS (and its allies) pursue different, often specific, and contradictory interests and values. The president is confronted with a potentially intensifying challenge related to the enduring power and disputed role of former President Evo Morales, who remains the leader of the MAS party. Institutionally, coordination between different government departments and agencies remains limited, and much of the present government's mismanagement in sectors such as water supply, medical workers and the penal code is a result of a lack of coordination. In previous years, the MAS government's capacity to coordinate conflicting objectives was largely rooted in informal modes of negotiation. Under Arce, this capacity faces two challenges. First, the 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.

Accordingly, in its first two years, the Arce government has already been forced to concede to several societal demands – for instance, granting permission to deforest national protected areas and accepting a government revenue share of almost zero in gold mining operations. The internal struggle within the MAS has hampered the government's capacities and mechanisms of coordination to respond to challenges.

Corruption is pervasive at all levels of society, and this situation has not undergone significant changes during the review period. Bolivia lacks an independent anti-corruption agency; however, the Ministry of Justice and Transparency and the Prosecutor's Office both possess mandates to prevent and combat corruption.

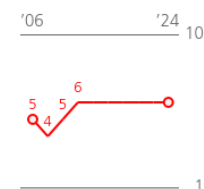
Attempts to address the lack of transparency and the structures of patronage behind corruption scandals are frequent in Bolivia, but they are generally ineffectual. The auditing of state spending remains inefficient. One of President Arce's main policies regarding the fight against corruption was the relaunch of the reform of the justice system.

The Bolivian justice system has been plagued by corruption, delays and political interference for years. However, it should be noted that the reform conducted during Evo Morales' administration, which resulted in the popular election of judges, significantly undermined judicial independence. This occurred primarily because the MAS, with a two-thirds majority in parliament, had the unilateral power to choose candidates for the election.

In early 2021, the minister of justice invited several experts to help establish a group in an attempt to institutionalize the judicial system. However, this can be considered one of his most significant failures. The reforms never took place, prompting several international organizations, such as the U.N. Human Rights Committee, to express concern about the "cases of political interference and corruption" in Bolivia's judiciary.

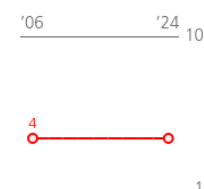
Policy coordination

6



Anti-corruption policy

4



Auditing of state spending is meant to be conducted by the state comptroller and the Legislative Assembly. However, the control exerted by the MAS over both entities restricts effective oversight and regulation. Furthermore, just days before Arce's inauguration, the MAS utilized its two-thirds majority in the outgoing parliament to modify the rules, enabling a simple absolute majority to approve the majority of laws and administrative procedures in the new Legislative Assembly. This same principle is applicable to the regulation of party financing. Access to information for citizens and the media has often presented challenges. In terms of party financing, the MAS terminated state funding several years ago, and there are currently no mechanisms to audit political parties' funds or their sources. As for access to information, despite previous high-profile open government endeavors, access to public information remains restricted. Although there are regulations in place in the area of public procurement, their implementation lacks transparency.

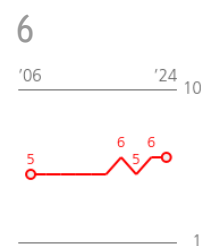
16 | Consensus-Building

Paradoxically, the increase in political polarization during the last couple of years has been accompanied by a relative decline in the actual contestation of the overall shape of Bolivian democracy. At the time of the constitutional referendum in 2009, the current constitution was heavily contested by the opposition. However, it is now broadly accepted by all relevant political actors as a legitimate framework. This basic agreement does not mean that political actors always respect or act according to the constitution in practice. Yet such non-compliance mostly reflects opportunistic behavior rather than normative disagreement with the conception of democracy as enshrined in the constitution. In fact, since the 2016 referendum and, most notably, during the 2019 post-electoral protests, the “liberal” opposition against the MAS has been invoking “the popular will,” while the “popular-plebiscitary” MAS has emphasized the relative autonomy of institutions and procedures. The existence of a general consensus when it comes to the core of representative democracy was further confirmed by the political agreement between the Áñez government and the MAS-controlled parliament in November 2019, which paved the way for new elections in a highly polarized context.

Even if it is 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,

Consensus on goals



the economic programs of President Arce and his most radical right-wing opponent, Camacho, 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).

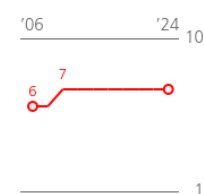
There are no significant nationwide anti-democratic veto powers. The military has explicitly refused to consider coups – a regular practice until the early 1980s. The most important potential veto players under the MAS government, the regional autonomy movements in the eastern lowlands and particularly 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. Though repeatedly active – such as during several strikes in 2022 – the more moderate forces of the movement prevailed. 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.

Violent incidents during the political crisis of October and November 2019, as well as during and after 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 they do not present themselves as political veto actors.

Bolivia is a country known for its significant divisions, including political, social, cultural/ethnic and regional cleavages that partially overlap. After seizing power in 2006, the Morales government successfully extended its support base, bridging crucial divisions, for instance, by attracting considerable backing from the urban middle class, even in the lowlands. However, between 2016 and 2019, the country experienced an increase in polarization that aligned at least partially with these overlapping cleavages. To simplify, the urban middle class, especially the youth, began mobilizing against Morales, while support for the MAS became more concentrated among the rural Indigenous population and the informal urban sectors, particularly in the western highlands. Simultaneously, though, the MAS faced losses in support during the 2021 subnational elections from key Indigenous and popular sectors, not just in El Alto but also in numerous rural Indigenous communities, as well as in major cities. Consequently, the political cleavage, whether pro or anti-MAS, did not clearly mirror an ethnic divide or the regional divide between the highlands and lowlands.

Anti-democratic actors

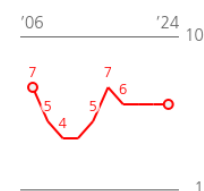
7



1

Cleavage / conflict management

6



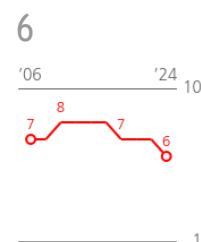
1

Since the October 2020 elections, President Arce and his team have indicated their interest in depolarizing Bolivian society and politics. However, certain policies and the worsening relationship between Arce and Camacho, the elected governor of Santa Cruz, suggest a different trajectory. These policies include the legal prosecution of former authorities, including former interim President Áñez herself, government officials and former heads of the armed forces, through ordinary criminal trials and incarceration. Additionally, there have been layoffs of public servants associated with the interim administration, as well as the unilateral elimination of the two-thirds requirement in the Legislative Assembly for various procedures, a measure approved by the previous MAS-controlled parliament. In December 2022, the Arce administration imprisoned Camacho on charges of terrorism and involvement in the alleged 2019 coup. These actions have faced criticism from elements of the opposition, but as of the end of the review period, they had not yet sparked significant protests. Although it is still too early to render a definitive determination, the new MAS government has thus far been successful in preventing conflicts based on societal divisions from escalating.

In contrast to predecessors, the Arce administration has relied less on routine consultations with social movements and organizations of all kinds. There has been an attempt to engage with popular sectors closer to the executive, but not without tensions with sectors formally aligned with Morales. Generally speaking, however, the years under MAS rule have been characterized by the solid participation of civil society organizations in agenda-setting, policy formulation, deliberation and decision-making, as well as in policy implementation at the national level. The Popular Participation Law of 1994 had already opened up wide mechanisms of civil society participation in the form of participatory budgeting and oversight.

During the Morales years, there were essentially three channels for civil society participation: through the MAS party, which functions 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.” Moreover, the 2009 constitution assigns a significant role in deliberating and determining policies to “organized civil society.” Despite the existence of a corresponding law on participation from 2013, civil society participation has predominantly remained informal. In this context, the degree of participation and influence, rather than relying on established procedures, often relies on a given entity’s relationship with the MAS and/or its ability to demand the government’s attention by mobilizing resistance. This also applies to Indigenous peoples’ right to “prior consultation.” While the constitution recognizes Indigenous consultation rights (especially concerning the expansion of extraction industries), they have frequently been disregarded or interpreted in restrictive manners.

Public
consultation



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 – 1981). The commission sought to obtain and declassify 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 containing historical documents and testimonies of victims to the library of parliament. In March 2020, it submitted its final report to the Defensoría del Pueblo. The commission's overall aim, however, was not to achieve reconciliation between the victims and the perpetrators of past injustices but 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, that took place 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 IACHR to establish an Interdisciplinary Group of Independent Experts (GIEI) to investigate the acts of violence and human rights violations that occurred between September and December 2019. In November 2021, the GIEI concluded its investigation, with one of its most relevant conclusions identifying the main obstacle to securing reconciliation as the lack of independence, transparency and objectivity within the judiciary and the use of the criminal system to prosecute political opponents.

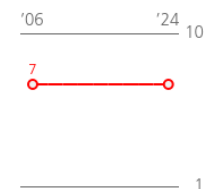
17 | International Cooperation

In response to the COVID-19 pandemic, the interim Áñez government secured loan commitments from the International Monetary Fund (IMF), the Andean Development Corporation (CAF), and the World Bank. However, a parliamentary veto hindered the actual utilization of these funds, thus requiring domestic funding for the economic and social policy measures in the end. 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 for 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 Agenda, which was the long-term development plan of the Morales government approved in 2016. 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.

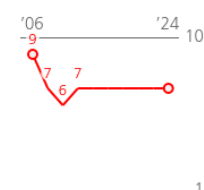
Reconciliation

7



Effective use of support

7



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 noninterference was facilitated by the reduction in international aid dependency after 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 on new international loans – in particular from CAF, IADB, the World Bank and China. The post-pandemic economic slowdown has further increased the need for – and willingness to accept – international support. The increase in commodity prices in recent years has not significantly changed the situation, mostly because of the depletion of the country's gas reserves. The Arce government has proven more willing to access international funds. The need for funding has opened the door even to green finance. In fact, it appears that the only red line that the government has is funding from the International Monetary Fund. Still, the effective use of international support will continue to be limited by the low institutional and professional capacities of Bolivian agencies and the public administration in general.

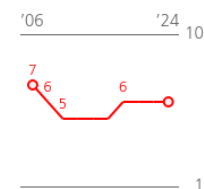
Bolivia actively and reliably participates in various international organizations at the regional and global levels. It has joined and ratified the majority of existing international agreements and generally complies with international norms. During the Morales government, Bolivia consistently emphasized the importance of international law and multilateral institutions. Regarding international cooperation, Bolivia is focused on strengthening ties within the region as well as with other countries in the global south.

The Arce government has continued policies implemented during the Morales administration, such as the 2009 constitution and the principle of self-determination, that involved questioning or revoking specific international commitments deemed inconsistent with domestic norms. For example, the Morales government explicitly rejected international investment dispute settlements, resulting in the abrogation of several bilateral investment treaties. Bolivia also opposed the Single Convention on Narcotic Drugs' prohibition of the coca leaf and consequently temporarily withdrew from and later reentered the convention with a reservation.

Furthermore, the Morales government strongly criticized the Inter-American Human Rights Commission (IAHRC) and called for reforms within the commission. Overall, Arce's government has adopted a defensive stance when faced with international scrutiny regarding human rights issues. It frequently accuses foreign governments, particularly the United States, international organizations, international non-governmental organizations and domestically funded NGOs of attempting to destabilize the country.

Credibility

6



1

In terms of voting within the United Nations system, Bolivia has shown increased support for countries such as Russia, Venezuela, Cuba and Nicaragua, which hold comparatively radical positions.

Under President Morales, Bolivia's political leadership cooperated with its counterparts in all neighboring states, sought to intensify cooperation within Latin America and engaged in all regional integration processes. Bolivia continued its membership in the Andean Community, the OAS and other regional integration bodies such as ALADI and SELA. Additionally, Bolivia joined new organizations, including UNASUR, CELAC and ALBA. In 2015, Bolivia signed up for full membership in Mercosur. While Uruguay, Argentina and Paraguay support Bolivia's membership, final ratification was still pending as the review period closed as the proposal was detained in the Brazilian Congress.

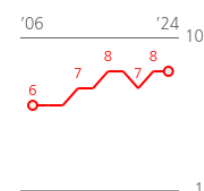
Bolivia enjoys mostly cooperative and friendly relations with its neighbors, although the polarization between right- and left-wing governments in the region has generally undermined intra-regional cooperation – most notably in the context of UNASUR. In this vein, under the more pragmatic Arce government,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

President Arce continued with this foreign policy, noting that in the past two years, several countries in the region elected left-wing presidents, which facilitated cordial relations. This was evident even in countries such as Chile, Peru and Colombia. Despite the strong ideological clash with Brazil's former President Bolsonaro, economic relations remained unhindered.

Bilateral relations with Chile have historically been strained because Bolivia continues to demand “sovereign access” to the Pacific, which was 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 brought its cause once again to the International Court of Justice (ICJ) in The Hague, claiming that Chile was obligated to enter negotiations on the matter. However, in October 2018, the ICJ rejected Bolivia's demand. President Arce is more pragmatic and inclined toward dialogue, which the Chilean government has welcomed, although no new negotiations on this issue have been initiated. The second rejection by the ICJ in the case of the Silala waters did not change Arce's rapprochement policies toward Chile.

Regional
cooperation

8



Strategic Outlook

The unquestioned election of Luis Arce as president in 2020, and the similarly free and fair elections in hundreds of subnational authorities in 2021, put an end to the open crisis of democracy that had persisted since the contested elections of October 2019. However, these successful elections seem to have confirmed the far-reaching social and political polarization of Bolivian society, particularly with the election of Luis Fernando Camacho as governor of Santa Cruz. This poses a continuing risk of political destabilization and the violent escalation of conflict. This was seen in several episodes of confrontation between the Arce administration and the regional government of Santa Cruz, backed by the region's civic committee, which ended in the indictment and imprisonment of Camacho. 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 try to solve existing differences through dialogue and negotiation. Not only in the Legislative Assembly but also on highly significant topics such as judicial reform, the government and the MAS should include more sectors than just their 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 within 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.

The need for judicial reform is not only important for Bolivian society as a whole but also to address sociopolitical conflicts through peaceful means. Recommendations by the IACHR's Interdisciplinary Group of Independent Experts (GIEI) and several other international observers have pointed out that the lack of an independent judiciary, and more importantly, its weaponization as a tool for political prosecution, creates incentives to use violence in the quest for political objectives. This, in turn, forecloses the path to truth and reconciliation when it comes to former conflicts, feeding into future cycles of sociopolitical violence.

The Arce government must address the severe economic crisis, which has been triggered by the pandemic but has structural roots. Faced with significant decreases in both international and domestic income, the government aims to reinvigorate the economy by further promoting the extraction and industrialization of non-renewable resources. However, it has limited resources to do so, and a trend of increased leniency is evident for environmentally harmful activities, such as expanding the agricultural frontier, constructing hydroelectric plants and engaging in illegal mining in protected areas. Given the deepening social and environmental impacts of the extraction-based development model, the challenge at hand is not only to restore resource-based economic growth but also to facilitate the long-term structural transformation of the economy. In addition, the government must address diminishing reserves and rapidly growing public debt levels amid the depletion of natural gas deposits, upon which the entire Bolivian economy heavily relies.