



Contestation and Social Change THE POLITICS OF DOMESTIC RESOURCE MOBILIZATION IN BOLIVIA

Drawing on the revenues from its rich mineral resources, the Bolivian state has recently managed to increase public revenue and improve performance on several social indicators. At the root of these changes was the social mobilization that led up to oil and gas sector nationalization in 2006. Creating fiscal space and setting social spending prominently on the policy agenda, the fierce contestation around the distribution of hydrocarbon rents in the early 2000s led to a new social contract, in the form of a new constitution in 2009. The Bolivian state is pursuing its development strategy in a context of ongoing decentralization while facing great challenges in institutional development and social provision.

Setting the Scene

At the beginning of the new millennium, while Bolivia continued to be one of the poorest countries in Latin America, mining companies—most of them foreign—were earning great profits from the exploitation of its rich mineral and hydrocarbon resources. In 2006 the Bolivian state nationalized hydrocarbons, leading to increased government revenues, declining debt and greater fiscal space (see table). Progress has also been made in terms of reducing poverty and income inequality, and improving health and education, but intersecting and deeply entrenched inequalities persist. These challenges have been acknowledged by the government of President Evo Morales with the introduction of a new constitution in 2009 and, more recently, the adoption of the Patriotic Agenda that lays out overarching development goals to be achieved by 2025. These include eradication of extreme poverty, universalization of basic services, development of natural resource-based industries, and food security.

Politics of Domestic Resource Mobilization

The project seeks to inform global debates on the political and institutional contexts that enable poor countries to mobilize domestic resources for social development. It examines the processes and mechanisms that connect the politics of resource mobilization and demands for social provision; changes in state-citizen and donor-recipient relations associated with resource mobilization and allocation; and governance reforms that can lead to improved and sustainable revenue yields and services. For details and updates, see Project Brief 01/July 2012 on “The Politics of Domestic Resource Mobilization” and www.unrisd.org/pdrm.

Research Themes and Questions

(I) Who pays: Contestation, bargaining and outcomes

Social mobilization against resource exploitation by foreign mining companies has marked Bolivia for decades and culminated in the so-called Gas War (October 2003), popular opposition to natural gas exports to the United States. Demanding the use of hydrocarbon revenues to improve the living conditions of the majority of poor Bolivians, social movements including indigenous and workers groups eventually secured legislative reform that established a direct tax on hydrocarbons—the revenues of which were allocated to social expenditure, mainly health and education. In response to the demands of social movements and other social sectors, the government of President Morales nationalized the hydrocarbon sector in May 2006. According to public polls, 87% of Bolivians agreed with the nationalization, and support for the president rose to 81%. At present, contestation and bargaining about rent distribution and budget expenditures between different levels of government, in particular the centre and the autonomous regions, is a key challenge facing the government.

Revenues from hydrocarbons present an opportunity for fiscal policy, but also create certain challenges. Is it sustainable to finance social policy solely through these resources?

Indicator	Bolivia
GDP per capita (current USD, 2012)*	2,575
Life expectancy (2012)**	66.9 years
HDI score 2012 (ranking)**	0.675 (108)
Inequality adjusted HDI (ranking)**	0.444 (120)
Gini Index**	56.3 (2008)
Mineral Dependence	
Total mineral rents (as % of GDP)*	6.3% (2012)
Mineral revenue (as % of budgets)*	31.6% (2011)
Tax Performance	
Revenue as % of GDP***	27% (2012)
Net ODA received (as % of Central Government expense)*	16.6% (2008)
Sources:	
*	World Development Indicators (WDI)
**	UNDP Human Development Report Statistics
***	International Monetary Fund (IMF) 2013



The research studies formal and informal bargaining among social movements, the state and external actors such as foreign mining companies and donors; analyses the linkages between social contestation and resource mobilization strategies; and examines the outcomes of the current resource bargains between different state levels against the backdrop of ongoing decentralization.

(II) Changes in key relationships: State–citizens and state–donors

Social mobilization and contestation around domestic resource mobilization has markedly altered the relationships between the Bolivian state and citizens, and between the state and external actors such as investors and donors.

In February 2003, the government planned to introduce an income tax on salaried employees as recommended by the IMF to close a rising fiscal deficit. This planned tax prompted violent confrontations between the government and affected wage-earner groups including the army and police. Since then income tax reform is no longer a policy priority, and tensions have been defused. Meanwhile, thanks to booming energy prices and the introduction of the direct tax on hydrocarbons, social expenditures have increased (an informal commitment that emerged from the Gas War) and the government boasts a fiscal surplus. The 2009 constitution—defining Bolivia as a representative, participatory and communitarian democracy—formally recognized citizens' right of contestation, and accountability with regard to electoral promises has been strengthened. The constitution also established a new social contract, which created a space for direct citizen participation as well as access to public services and income transfers.

Less dependence on external financial flows, including official development assistance and loans, led to a change in relations between the Bolivian state and donors. This is reflected in the share of public investment from domestic resources, which increased from 37.2% to 66.5% in the period from 2005 to 2010. While positive developments—like enhanced policy space and less reliance on volatile external sources—are associated with this shift in financing, several risks are also likely to emerge. The research analyses the conditions for improving and sustaining democratic state-citizen relations and the impact of DRM on this relationship; the changes

in state-donor relations; and the impact of these changing relations on social outcomes.

(III) Upgrading institutional capacities for revenue mobilization and service delivery

Despite some progress, institutional capacity and accountability in Bolivia are still considered weak, and the inclusion of citizens into growth dynamics as well as their access to public services depends largely on social background and geographic location. Existing institutions thus continue to reproduce social inequalities, while ongoing institutional reform efforts face several challenges including incomplete legislation and insufficient financial capacity at lower state levels.

The government has been more successful in making inroads into entrenched inequalities and poverty through a new generation of cash transfer programmes: Bono Juancito Pinto (a cash transfer aimed to enhance primary school access for girls and indigenous children), Renta Dignidad (a non-contributory universal pension for citizens of and above 60 years age) and Bono Juana Azurduy (a mother-child cash transfer programme).

The research examines the spaces that have been formally created for civic engagement in social policies and the role of citizens' engagement in the development and shaping of financial and social institutions. It studies the relationship between contestation processes, transparency and accountability of institutions, and the impacts this has on social development.

Project Information

Funding

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Research Team

The country research is conducted by Verónica Paz Arauco, Santiago Daroca and Wilson Jiménez Pozo. Katja Hujo and Harald Braumann are coordinating the research at UNRISD.

Outputs

Four Research Reports, a Synthesis Report and a Policy Brief.

Updates

www.unrisd.org/pdrm

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