

BOLIVIA

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOWER MIDDLE INCOME

LOCAL CURRENCY: BOLIVIANO (BOB)

POPULATION AND GEOGRAPHY

Area: 1 098 580 km²
Population: 11.052 million inhabitants (2017), an increase of 1.6% per year (2010-2015)
Density: 11 inhabitants / km²
Urban population: 69.1% of national population
Urban population growth: 2.0% (2017 vs 2016)
Capital city: Sucre (2.6% of national population)
Administrative capital: La Paz (7.9% of national population)

ECONOMIC DATA

GDP: 84 billion (current PPP international dollars), i.e. 7 560 dollars per inhabitant (2017)
Real GDP growth: 4.2% (2017 vs 2016)
Unemployment rate: 3.2% (2017)
Foreign direct investment, net inflows (FDI): 725 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 21.3% of GDP (2017)
HDI: 0.693 (medium), rank 118 (2017)
Poverty rate: 7.1% (2016)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Bolivia's Political Constitution (CPE), approved in 2009 through a national referendum, states that Bolivia is a Unitary Social State of Pluri-National Communitarian Law that is decentralized and organized in autonomous regions with a classic model of division of powers. The Pluri-National Legislative Assembly is formed by the Chamber of Deputies and the Chamber of Senators. Those two bodies are composed respectively of 130 deputies and 36 senators. Deputies are elected by electoral district for a five-year mandate, half of whom are directly elected and the other half on a proportional representation list system. In the Senate, the seats are occupied by four members of each of the departmental districts who are directly elected for five years. The Executive Branch is headed by the President of the State elected for five years and the Judicial authority is exercised by the Supreme Court of Justice, its courts and the rural native indigenous jurisdiction.

The Bolivian Constitution has established a territorial organization where several self-governments coexist within a unitary country (departments, provinces, municipalities and rural native indigenous territories), with an almost quasi-federal approach. However, there exist certain provisions of a centralist nature within the Constitution which limit the autonomy of subnational governments. Decentralization is entrenched in the Constitution through a definition of autonomy that implies the direct election of authorities by citizens, the administration of economic resources and the exercise of legislative, regulatory, fiscal and executive responsibilities by subnational governments within their jurisdiction and granted competences (Art. 272).

Bolivia's decentralization process started in 1994 with the approval of the Popular Participatory Law and the Administrative Decentralization Law, which created 311 popularly elected municipal governments. These laws were replaced in 2010 by Law 031 establishing the Legislative Framework for the Decentralization Process and Regulation of the Autonomies. Together with the promulgation of the 2009 CPE, the Law 031 has given rise to the autonomous period in Bolivia. Law 031 establishes that subnational governments are in charge of elaborating departmental autonomous statutes, organic municipal charters and rural native indigenous communities' statutes to regulate the exercise of their responsibilities (Art. 62). In 2014, the central government approved the Law 482 on Autonomous Municipal Governments, which serves as a regulatory framework for the organizational structure and functioning of local governments that have not crafted their organic municipal charter for exercising their responsibilities. Progress in the achievement of autonomy has been slow since the approval of the Constitution.

A mechanism for coordination has also been established at national level, i.e. the National Council of Autonomies, to provide a permanent forum for coordination and consultation between the plurinational government and the subnational governments. This Council is composed of representatives of the plurinational state (ministers) and subnational entities (departmental governors, municipal associations and representatives of rural native indigenous autonomies).

The last subnational elections were held in 2015 to elect the departmental, regional and municipal governments.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	339 municipal self-governments (<i>gobiernos autónomos municipales</i>) 3 rural native indigenous autonomies (<i>autonomías indígenas originarias campesinas</i>)	1 regional self-government (<i>Gran Chaco</i>)	9 departmental self-governments (<i>gobiernos autónomos departamentales</i>)	
	Average municipal size: 29 675 inhabitants			
	342	1	9	352

OVERALL DESCRIPTION. Bolivia is administratively and politically divided into 9 departments, 339 municipalities, 1 region and 3 rural native indigenous communities.

DEPARTMENTS. Departmental self-governments are headed by a Departmental Assembly and an executive organ headed by a governor in charge of implementation (Art. 277 CPE). The assembly is made up of members elected by universal suffrage, members elected by proportional representation and members elected by rural native indigenous communities residing in the Department. The executive organ is elected by universal suffrage for a five-year term. The 9 departments are further divided into 112 provinces, yet these do not constitute self-governments and are administered by a sub governor nominated by the respective department governor.

MUNICIPALITIES. Municipal self-governments are classified in 4 groups according to the size of their population: Municipalities A, with a population of less than 5 000 inhabitants; Municipalities B, with a population ranging between 5 001 and 15 000 inhabitants; Municipalities C, with a population between

15 001 and 50 000 inhabitants and Municipalities D, with 50 001 inhabitants or more. As of 2016, the six cities with the largest populations are Santa Cruz de la Sierra (1 640 615 inhabitants), El Alto (901 823), La Paz (794 014), Cochabamba (681 947), Oruro (284 839) and Sucre (280 932).

Municipal self-governments consist of a municipal council and an executive organ, chaired by the mayor elected by universal suffrage (Art. 283 CPE). The municipal councillors are elected every five years by electoral district on a separate ballot from that of the mayor. The number of councillors varies between 5 and 11 depending on the size of the municipality. Additionally, certain seats are assigned through a proportional representation list system. The Organic Municipal Charter is the rule through which the exercise of the municipal self-government's authority is regulated, but its elaboration is optional.

Various provinces or municipalities that have geographic continuity which cross the departmental borders and that share the same culture, language, history, economy and ecosystems can form a region. A region constitutes an area of planning and management. It is governed by a regional assembly and an executive body appointed by the regional assembly and responsible for implementation (Art. 281 CPE). Members of the regional assembly are elected in equal numbers for each municipality together with the lists of candidates for the municipal councillors. As for Departmental Assembly, a number of seats are allocated to members elected by rural native indigenous communities living in the region's municipalities. To date, there is only one region, the *Gran Chaco* in the department of *Tarja*, which gained independence through a referendum organised in 2009.

Finally, the Bolivian Constitution acknowledges rural native indigenous autonomies as self-governments that can exercise their free determination, in accordance with their norms and procedures and in harmony with the Constitution (art. 290).

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The Constitution establishes four types of responsibilities: sovereign, exclusive, concurrent and shared (art. 297 CPE). Sovereign responsibilities are reserved to the central government while exclusive responsibilities correspond to a single jurisdiction (national or autonomous levels), with the exception of the regional jurisdiction. The regulation and execution of some of the exclusive responsibilities can be delegated to the municipal level (e.g. waste management). In the case of concurrent responsibilities, the central government is responsible for legislation and subnational governments for regulation and execution (e.g. building community roads). Shared competences are those whose basic legislation corresponds to the Plurinational Legislative Assembly and complementary legislation to subnational governments (e.g. creation or modification of subnational governments' taxes). Municipal self-governments have also been assigned competences beyond the provision of basic services such as education and health services, although the formal transfer of responsibilities has not yet taken place.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	DEPARTMENTS	MUNICIPALITIES AND RURAL NATIVE INDIGENOUS COMMUNITIES
1. General public services		
2. Public order and safety	Departmental civil security plans, programs and projects; Provide support for police forces and prisons	Creation of civil security plans, programs and projects; Provide support for police forces and prisons (responsibility shared with the departmental level)
3. Economic affairs /transports	Plan and execute economic and social development plans; Rural electrification and energy provision; Employment and tourism promotion, infrastructure building and delivery of services for production; Building and management of departmental train lines, road routes and airports	Promote local development; Promotion of employment and renewable energies; Creation of local airports; Planning; Construction and management of communal roads in coordination with rural native communities (when it applies)
4. Environmental protection	Natural heritage conservation; Integrated waste management (responsibility shared with the national and municipal levels)	Integrated waste management (responsibility shared with the national and departmental levels); Environmental protection of local natural patrimony; Natural resources and protected areas
5. Housing and community amenities	Departmental land use planning	Create land use plans and land cadastres for the municipalities Construction/renovation; Distribution of drinking water; Public lighting
6. Health	Infrastructure building and provision of equipment and medical supplies for hospitals	Infrastructure building and provision of equipment and medical supplies for cities; Human and animal alimentary sanitary controls
7. Recreation, culture & religion	Sports; Culture; Oversight of artistic and architectural patrimony	Promotion and conservation of the historic, cultural and architectural patrimony; Local sports
8. Education	School infrastructure building; Basic services and provision of educational material	School infrastructure building; Basic services and provision of material and school alimentation
9. Social protection	Implementations of social projects for childhood, adolescence, women, the elderly and people with disabilities.	Implementations of social projects for childhood, adolescence, women, the elderly and people with disabilities

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: municipalities and departments.	Other	Availability of fiscal data: Medium	Quality/reliability of fiscal data : Medium
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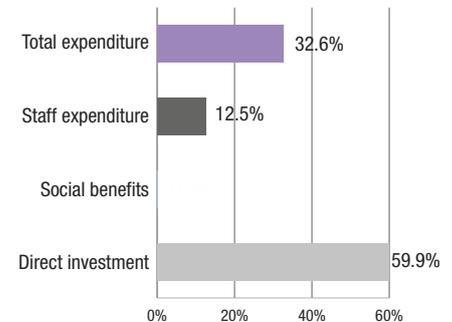
GENERAL INTRODUCTION. Subnational finance in Bolivia is regulated by the Constitution, the 2010 Law 031 on the Legislative Framework for the Decentralization Process and Regulation of the Autonomies and Law 154 on the Classification and Definition of Taxes and Regulation for the Creation and/or Modification of Subnational Government Tax. The Constitution stipulates that the responsibilities transferred to subnational governments must be necessarily coupled with the identification of the sources of income for their financing. The Constitution acknowledges subnational governments' autonomy in the administration of subnational funds and guarantees that such funds shall not be centralized in the National Treasury (Art. 340). It establishes that subnational budgets should be elaborated and approved by each subnational government (Art. 321 and 340), which also has the authority of approving, modifying or eliminating taxes in their jurisdiction (Art. 299 and 323). Law 031 states that the central government is in charge of determining budget formulation and sets the expenditure ceiling for subnational governments. Central government has a monopoly on the creation of new taxes.

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SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	816	11.3%	100%	
Inc. current expenditure	247	3.4%	30.2%	
Staff expenditure	102	1.4%	12.5%	
Intermediate consumption	111	1.5%	13.6%	
Social expenditure	-	-	-	
Subsidies and current transfers	23	0.3%	2.8%	
Financial charges	5	0.1%	0.7%	
Others	7	0.1%	0.8%	
Incl. capital expenditure	569	7.9%	69.8%	
Capital transfers	43	0.6%	5.0%	
Direct investment (or GFCF)	526	7.3%	64.4%	

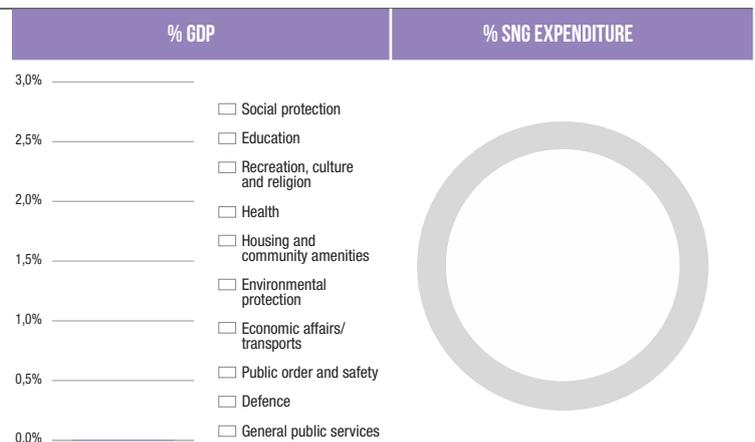


EXPENDITURE. Current expenditure increased over the last years although the increase was smaller in 2016 due to lower spending on staff expenditures and the purchase of goods and services. Departmental and municipal governments' total expenditure respectively amount to 9% and 24% of total public expenditure. SNG capital expenditures represent a significant share of expenditures compared to the average of other countries, accounting for 70% of SNG total expenditures and 65% of public expenditures. A large share of these capital expenditures is made up of direct investment. Nevertheless, it should be noted that some projects remain implemented in municipalities by ministries and delivered in person by the President (football fields, settlements, irrigation projects, etc.).

DIRECT INVESTMENT. With the decline in oil prices and the subsequent decrease in subnational government revenues, subnational government investment has fallen significantly, from \$8 676 million PPPs in 2014 to \$5 723 million in 2016. Despite this downward trend, sub-national governments continue to spend more than 64 per cent of their expenditures on direct investment, most of which is financed by own resources, national government transfers and a smaller share by subsidies granted by the national government in the form of trust funds (Fideicomisos), as provided for in Law 742 amending the general government budget 2015.

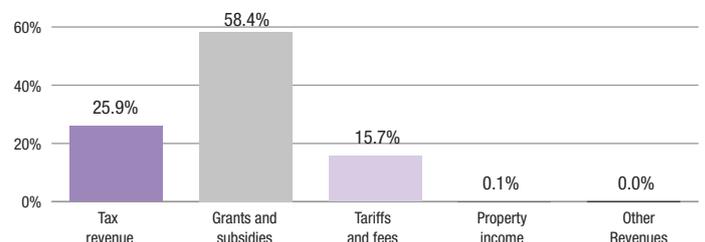
SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

Subnational governments' expenditures are mainly directed towards territorial infrastructure, social services provision and support of health and educational services, primarily through the construction and maintenance of buildings and provision of educational and health-related materials. Nevertheless, over the past decade, emphasis has been placed on promoting economic activities and environment protection within the different levels of subnational governments.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue	750	10.4%	33.2%	
Tax revenue	194	2.7%	13.0%	
Grants and subsidies	438	6.1%		
Tariffs and fees	118	1.6%		
Property income	1	0.01%		
Other revenues	-	-		



OVERALL DESCRIPTION. The revenue sources available to subnational governments are detailed in Law 031. Revenues may come from departmental or municipal taxes, licences and royalties related to the exploitation of resources, the sales of goods and services or assets, internal and external loans and central government transfers related to the tax on oil or to the transfer of new responsibilities. In addition, municipalities where there are mining activities also obtain revenues from the departmental level for the exploitation of mining resources. Regulations regarding subnational finance do not allow for subnational governments to raise larger amounts of funds for instance through taxation. Over the past few years, the increase in revenues was mainly driven by the exploitation of non-renewable resources, although such increase experienced a sharp drop in 2016 due to the decrease in the prices of oil and minerals, resulting in lower resources collected through Direct Taxes on Hydrocarbons (IDH).

TAX REVENUE. Sub-national government tax revenues include direct taxes on hydrocarbons, royalties, patents and revenues from the general tax system, i.e. fiscal co-participation. Fiscal co-participation was established by Law No. 1551 in 1994 (which was replaced by Law No. 031 in 2010). It includes value added tax, business profit tax, tax on transactions, tax on consumption of excise goods, customs and excise duties and tax on free transfers of goods. These taxes are shared by the central government with subnational governments.

Tax revenues in capital cities are much higher than those of departmental governments. In addition, departmental governments rely heavily on national transfers, leading to tax inequalities within departments and between departments and some municipalities. Law 031 introduced the possibility of establishing a “Fiscal Pact” in Bolivia whose main objectives are to reduce territorial inequalities resulting from tax regulations, redistribute income and diversify the sources of income of subnational governments (in particular to reduce their dependence on hydrocarbon resources). The final document of the Fiscal Pact, under discussion since 2008, was finalized in 2018 without fully addressing the problems of tax redistribution for departments and municipalities.

GRANTS AND SUBSIDIES. Both departmental and municipal governments receive a large proportion – nearly 60% - of their revenues from central government transfers and subsidies. Smaller subnational governments or governments in the poorest regions are the ones most dependent on these transfers.

The departments rely mainly on current transfers from the central government, which include oil and gas revenue shared through royalties, Direct Taxes on Hydrocarbons (IDH) and a separate compensatory fund. Hydrocarbon royalties are distributed only to four producing departments, namely Cochabamba, Chuquisaca, Tarija, and Santa Cruz, and to two remote non-producing departments (Beni and Pando) while IDH revenues are shared across the nine departments. Both producing and non-producing departments are required to share 66.9% of their IDH funds with their municipalities, apportioned on the basis of municipal population. According to Law 031, the equitable distribution of resources from the exploitation of natural resources must be ensured by the subnational governments in order to reduce regional inequalities and inequalities in access to productive resources. Yet in practice, the redistribution of oil and gas revenues among subnational governments mainly considers the location of extraction projects and population as the main criteria for resource allocation. Municipalities also depend on central government transfers including IDH and fiscal co-participation transfers, to finance their expenditures.

OTHER REVENUES. Other SNG revenues include patents and royalties from natural resource exploitation. The gas-rich department of Tarija adopted the PROSOL (*Programa Solidario Comunal Departamental*) law in 2007, which seeks to use revenues from natural gas royalties to finance productive initiatives prioritized by local farming and indigenous communities through the establishment of annual cash transfers. In addition, Bolivian subnational governments collect fees, patents on economic activity and special contributions, legacies, donations, revenues from the sale of goods, services and assets. Municipal governments’ other revenues are derived from the property tax on real estate, tax on motor vehicles and the co-participation of the special excise tax on the consumption of alcohol-grade corn chicha.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt	66	1.0%	5.1%	100%
Financial debt*	66	1.0%	5.2%	100%

* Currency and deposits, loans and bonds

FISCAL RULES. The subnational governments’ budgets are governed by the General Development Plan, which includes the development plans of local and regional authorities and the general government budget. Subnational governments must ensure the financial sustainability of the exercise of their powers in the mid- and long-term. They must maintain all their financial resources in fiscal current accounts. Local and regional governments must approve their budgets in accordance with the principle of balanced budget rules and be subject to the overall tax ceilings established in accordance with the tax framework determined by the Ministry of Public Finance (article 114 of Law 031).

DEBT. The legal system establishes that subnational governments may contract debt obligations in order to fulfil their responsibilities, yet the central government sets the annual debt limit for every subnational government. All loans, including those for investment projects, need previous approval of the central government. Once the Minister has approved the operation, subnational governments may directly contract internal debt. However, external debt can only be contracted by the central government and requires the approval of the Pluri-National Legislative Assembly. As the process is long and complicated, only a few municipal governments are actually in a position to apply.

If subnational governments fail to meet their external debt obligations, the central government has the authority to withdraw the corresponding funds from the subnational governments’ accounts. Moreover, subnational governments are required to submit monthly reports on their debt to the Subnational Debt Administration and Information System (SAIDS).

With regard to the issuance of bonds, although in principle all municipalities have the ability to do so, only those municipalities that are departmental capitals have access to the process and to raising funds through these means.



Lead responsible: UCLG
Last update: 02/ 2019

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Socio-economic indicators: World Bank // UNDP // UN Desa // ILO.

Fiscal data: Ministry of Economy and Finance of Bolivia // OECD Revenue Statistics // Deputy Ministry of Public Investment and External Financing (VIPFE) // National Institute for Statistics // World Bank // Central Bank of Bolivia.

Other sources of information: Ministry of Economy and Finance (2016) Fiscal Report // Ministry of Economy and Finance (2017) Memoria de la Economía boliviana // Patricia I. Vasquez (2016) Four Policy Actions to Improve Local Governance of the Oil and Gas Sector, International Development Policy - Revue internationale de politique de développement // María Lasa Aresti (2016) Oil and Gas Revenue Sharing in Bolivia, Natural Resource Governance Institute // Ministerio de Autonomía (2011) ¿Qué es la autonomía departamental?, Serie Bolivia Autónoma n°2.