

# **Bolivia's Economic Transformation: Macroeconomic Policies, Institutional Changes, and Results**

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October 2019

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## Acknowledgements

The authors thank Becca Watts and Dan Beeton.

# Executive Summary

Bolivia's economy has undergone structural economic transformation during Evo Morales's presidency. Real (inflation-adjusted) per capita GDP grew by more than 50 percent over these past 13 years. This was twice the rate of growth for the Latin American and Caribbean region. Even as the Latin American regional economy slowed over the past five years, Bolivia had the highest growth of per capita GDP in South America.

For most of the past 13 years, Bolivia has had balance of payments surpluses, which helped to maintain macroeconomic stability. The country's solid economic growth has contributed substantially to the reduction of poverty and extreme poverty. The poverty rate has fallen below 35 percent (down from 60 percent in 2006) and the extreme poverty rate is 15.2 percent (down from 37.7 percent in 2006).

Bolivia's economic transformation was possible due to overarching political transformations in the country. These included a new constitution with significant economic mandates; nationalization and public ownership of natural resources and some strategic sectors of the economy; redistributive public investment and wage policies; policy coordination between the Central Bank and the Finance Ministry; and monetary and exchange rate policies directed toward de-dollarizing the Bolivian financial system.

The renationalization of hydrocarbons in 2006 was vital to Bolivia's economic and social progress since then. In the first eight years of the Morales administration, national government revenue from hydrocarbons increased nearly sevenfold from \$731 million to \$4.95 billion. Although some of this was from price increases, most was a result of the nationalization and associated policy changes.

The importance of the government's nationalization of hydrocarbons to Bolivia's economic progress over the past 13 years cannot be overemphasized. These revenues were central to allowing the government to achieve macroeconomic stability (e.g., avoiding balance of payments problems, maintaining a stable exchange rate, enormously increasing public investment), as well as financing social spending.

It is also clear that the government's ability to choose this vastly more productive path was only possible after breaking free from the constraints of IMF agreements. When Evo Morales took office in 2006, Bolivia had been operating under IMF loan agreements for 20 years, and its GDP per capita was lower than it had been in 1980. A trail of IMF documents show the Fund's opposition to any kind of nationalization or even lesser attempts at increasing government control over hydrocarbon

resources. “The [IMF] staff welcomed President [Carlos] Mesa’s commitment to veto any inappropriate hydrocarbons law,” reported the Fund’s fifth review under the Stand-by (loan) Arrangement in March 2005, little more than a year before the nationalization led by Mesa’s successor, Evo Morales.

While some of Bolivia’s economic policies during the past 13 years fit within standard policy prescriptions, others involve the use of a homegrown and heterodox policy toolkit.

For example, the Central Bank has applied unconventional monetary policy through a quantitative easing program starting in 2010, in order to purchase financial instruments issued by state-owned enterprises (SOEs), as well as government bonds. In December, 2018, almost half (44 percent) of the Central Bank’s balance sheet was invested in domestic assets (up from 12 percent in 2010). It is noteworthy that this significant increase in money created by the Central Bank was not accompanied by an increase in the rate of price inflation. The Central Bank’s funds are directed to contribute to Bolivia’s investment program in its strategic SOEs’ capital expenditures.

The government’s commitment to public investment is also outside of the currently dominant conventional wisdom, and has kept Bolivia’s public investment as a percent of GDP at the highest in Latin America. Overall investment (public and private) has also been substantially higher than in the past for Bolivia, averaging 21.8 percent of GDP over the past five years. And Bolivia’s efforts to promote economic growth have been focused on the domestic market, in line with its development strategy.

The change in the size of the Bolivian financial system has also been impressive. Deposits have grown at an average yearly rate of 14 percent (between 2008 and 2019). Bolivia’s exchange rate and monetary policies have been key factors in re-bolivianizing the financial system: the proportion of dollar deposits in the financial system has decreased from 34 percent in 2008 to 1 percent in 2019 thanks to a combination of disincentives and regulations. Directed lending for productive sectors and low interest rate ceilings are part of the toolkit successfully deployed by the monetary authorities. Total credit in the financial system has grown at an average of 16 percent per year since 2008.

However, significant challenges remain. Although Bolivia has experienced sustained economic growth during these years, it is still one of the poorest countries in South America. Its export sector remains concentrated in terms of products and destinations. Bolivia’s growth in investment has recently resulted in sizable but still sustainable current account deficits and large nonfinancial public sector deficits. The Central Bank has contributed to this by financing the capital expenditures of

SOEs. No major risks are foreseen for Bolivia's capital account, but it is noteworthy that a large stock of Bolivians' financial assets are deposited abroad. While there has been a recent upsurge in Bolivia's foreign-denominated public debt, it does not pose a short- or medium-term risk, mainly because it is very long-term and also concessional (i.e., at well below market interest rates).

Bolivian authorities are promoting important investments in food sovereignty and are striving to become an agricultural powerhouse, in order to diversify the economy. They are also attracting considerable investment in order to industrialize their raw materials, with the goal of becoming a global leader in the export of lithium batteries. These strategic investments are part of Bolivia's Agenda Patriótica 2025 that guides its economic policy over the medium-term horizon.

# Introduction

Bolivia's macroeconomic management since 2006 has been hailed as a success by many progressive analysts, but also by multilateral institutions such as the International Monetary Fund (IMF) and the Inter-American Development Bank. Some commentators have focused on key headline figures such as GDP growth, inflation, and international reserves, and assume that Bolivia during these years has adopted an orthodox economic strategy.<sup>1</sup> But as shown below, Bolivia's economic route has been quite heterodox; the country has achieved some of its most positive and sustainable macroeconomic results precisely by not following the traditional dictates of economic orthodoxy.

In this report, we analyze Bolivia's economic results in the context of its main policy decisions. Bolivia nationalized strategic sectors of the economy; it created a new constitution with a state-led “plurinational” economy;<sup>2</sup> its public sector invests heavily in the economy, financed in large part by the Central Bank, which in turn coordinates with the government and tightly regulates the banking sector. The Bolivian government has had a proactive wage policy and also explicit goals for the industrialization and productive diversification of its economy. Many of the government's policies are the polar opposite of orthodox recipes — and of Bolivia's neoliberal past prior to the Morales administration.

## Growth

Bolivia's economy has undergone a structural transformation during Evo Morales's presidency. The economy had basically been stagnant for a quarter century prior to Morales becoming president in 2006.<sup>3</sup> In 2005, Bolivia had a GDP per capita that was below what it had been in 1980, as seen in **Figure 1**. By 2018, real GDP per capita had increased by 50 percent above its 2005 level. That growth has continued even as the region overall has experienced a sharp slowdown in recent years; Bolivia has had the fastest per capita economic growth in South America over the past five years.

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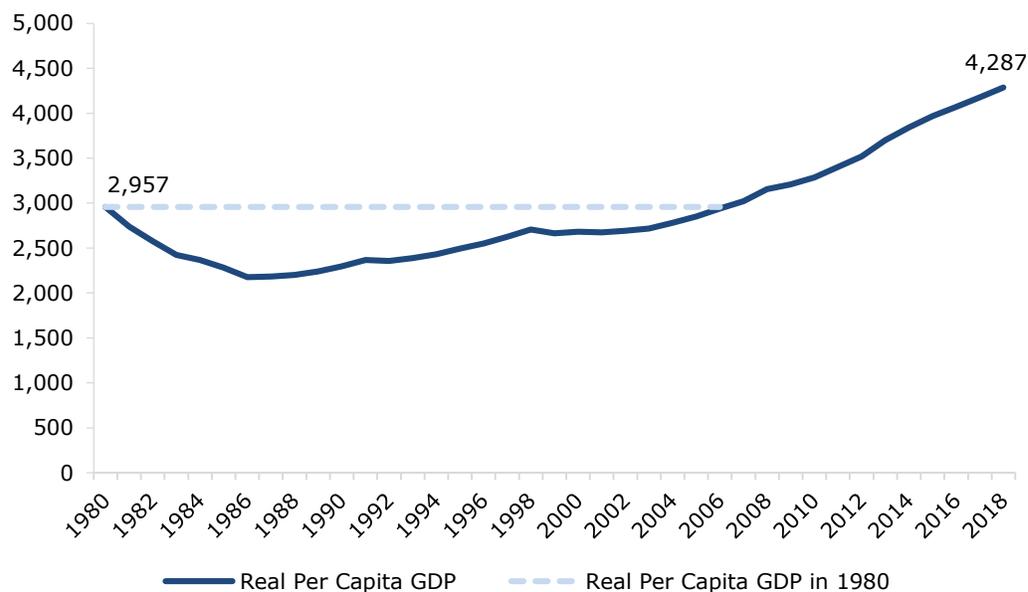
1 See, for example, Smith (2019).

2 The official state title, *the Plurinational State of Bolivia*, and its constitution acknowledge multiple nations of people within the state's territorial jurisdiction.

3 In the IMF's April 2005 country report on Bolivia, the authors discuss the Bolivian “puzzle” — “that a country perceived as having one of the best structural reform records in Latin America experienced sluggish per capita growth, and made virtually no progress in reducing income-based poverty measures.” IMF (2005a): 4.

**FIGURE 1**

**Bolivia, Real GDP Per Capita (in 1990 Bolivianos)**



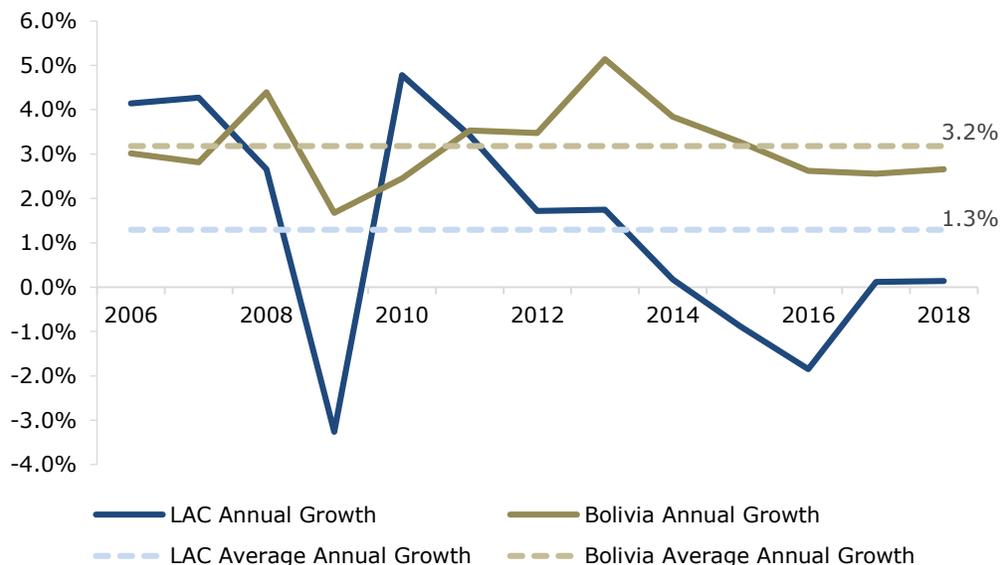
Source: IMF (2019).

Bolivia's real per capita GDP has grown at double the rate for Latin America and the Caribbean (LAC) since 2006. The average annual real per capita growth across LAC economies has been 1.6 percent per year since 2006;<sup>4</sup> Bolivia's real per capita GDP has grown at an average of 3.2 percent, as can be seen in **Figure 2** below.

<sup>4</sup> Excluding Bolivia. This total also excludes Venezuela, for which reliable data is unavailable.

**FIGURE 2**

**Real GDP Per Capita (Percent Change)**



Source: IMF (2019).

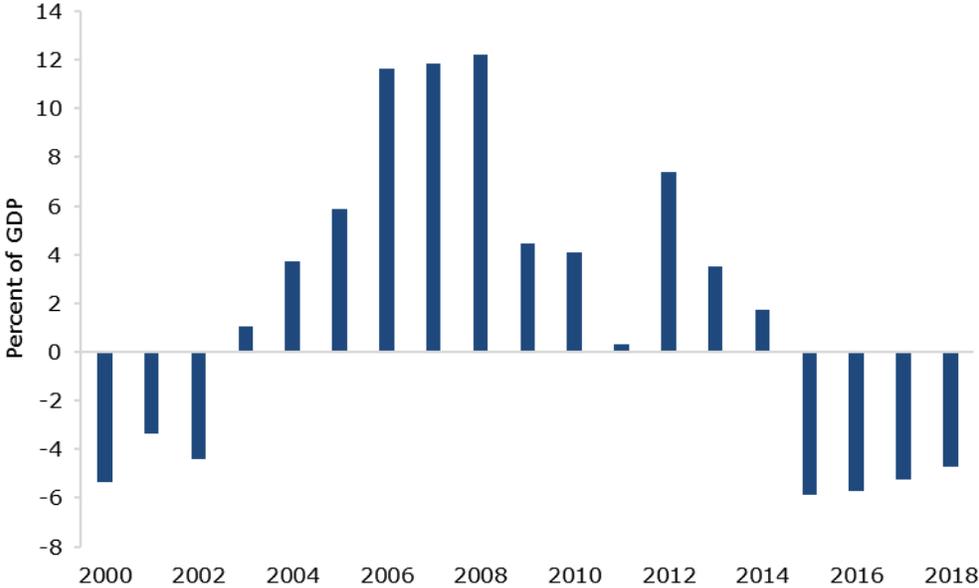
Bolivia’s efforts to promote economic growth have been focused on the domestic market, in line with its development strategy. There have been substantial increases in household consumption (4.7 percent real average yearly growth between 2006 and 2018), gross fixed capital formation (9.2 percent), and government expenditure (5.3 percent). Exports have also grown, but at a slower pace (averaging 1.9 percent annually). In fact, Bolivia has in recent years held investment at very high levels as compared to the past, with investment averaging 21.8 percent of GDP annually in the past five years (2014–2018).<sup>5</sup>

<sup>5</sup> Instituto Nacional de Estadísticas (INE) (2019b).

# Balance of Payments

FIGURE 3

Current Account Balance (In Percent of GDP)



Source: IMF (2019).

Prior to 2006, the hydrocarbons industry and other public enterprises were privatized under structural reform programs that were associated with IMF and World Bank loan agreements. The 2006 renationalization of the hydrocarbons industry, increased energy prices, and the consolidation of government revenues to the national coffers brought about a very large increase in foreign reserves.

Between 2006 and 2018, the Bolivian current account surplus has averaged 2.7 percent of GDP. Throughout the first eight years of Evo Morales’s presidency, the economy had large current account surpluses, averaging 6.4 percent of GDP between 2006 and 2014. After the terms-of-trade shock in 2015, and consistent with several years of record-breaking investment (gross fixed capital formation with a large import component), Bolivia has experienced a few years of large current account deficits (annual average of -5.4 percent of GDP), which have been financed to a large degree by its abundant international reserves (see below).

## The Central Role of Nationalization, and National Independence, in Bolivia's Economic Transformation Since 2006<sup>6</sup>

In March of 2006, the Bolivian government's loan agreement with the IMF expired. Although the IMF offered new lending, the government declined. This gave the government new freedom to pursue different economic development policies. One of the first and most important reforms that the government pursued was to increase its control over hydrocarbons (mostly natural gas) and thereby capture a greater share of revenue from this resource. The government's revenue had already increased considerably as a result of the May 2005 hydrocarbons law,<sup>7</sup> but in 2006 the government went further and "renationalized" the industry by renegotiating its agreements with its major foreign buyers. It also rebuilt the state-owned gas company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). It completed negotiations with Petrobras, the Brazilian state-controlled company that had a very large stake in Bolivia (most of Bolivia's natural gas is exported to Brazil and Argentina).

In the first eight years of the Morales administration, national government revenue from hydrocarbons increased nearly sevenfold from \$731 million to \$4.95 billion.<sup>8</sup> This increase was not primarily the result of rising prices of hydrocarbons (75 percent of Bolivia's exports of hydrocarbons were natural gas). Most of the increased revenue was a result of the nationalization and associated policy changes, including a doubling of production by 2013.<sup>9</sup>

The importance of the government's nationalization of hydrocarbons to Bolivia's economic progress over the past 13 years cannot be overemphasized. These revenues were central to allowing the government to achieve macroeconomic stability (e.g., avoiding balance of payments problems, maintaining a stable exchange rate, enormously increasing public investment), as well as financing social spending).

It is also clear that the government's ability to choose this vastly more productive path after 20 years of economic stagnation under continuous IMF agreements was only possible after breaking free from the Fund's constraints. A trail of IMF documents show the Fund's opposition to any kind of nationalization or even lesser attempts at increasing government control over hydrocarbon resources. "The [IMF] staff welcomed President Mesa's commitment to veto any inappropriate hydrocarbons law," reported the Fund's fifth review under the Stand-By (loan) Arrangement in March 2005, little more than a year before the nationalization led by Mesa's successor, Evo Morales.<sup>10</sup>

<sup>6</sup> See Weisbrot (2007 and 2015) and Weisbrot and Sandoval (2008) for more.

<sup>7</sup> See Gaceta Oficial del Estado Plurinacional de Bolivia (2005).

<sup>8</sup> Weisbrot (2015).

<sup>9</sup> Ibid.

<sup>10</sup> IMF (2005b). See also IMF (2004).

Bolivia's international reserves are currently substantially in excess of the IMF's measures of adequacy. It is conventionally understood that the equivalent of three months of imports is an adequate amount of reserves. Even after the considerable reductions in the last few years, reserves amounted to about \$8.0 billion at the end of August 2019, or more than three times the conventional level of adequate foreign reserves. If we consider other external assets managed by the Central Bank, the number increases to \$9.6 billion.

In addition, there are Bolivian liquid assets abroad as a result of what is conventionally known as capital flight. Bolivian banks', firms', and high-income individuals' deposits abroad, of which \$4.5 billion are in United States banks, amount to \$6.2 billion (as of December 2018).<sup>11</sup> This is a significant amount, almost equivalent to total reserves, and continued capital flight could represent a medium-term risk for the Bolivian economy.

It is worth noting that Bolivia's exports are highly concentrated both in terms of products and destinations. One-third of Bolivia's income from exports is from hydrocarbons (oil and gas).<sup>12</sup> Argentina and Brazil are the main destinations (jointly, one-third) for Bolivia's exports.<sup>13</sup> In the medium term, Argentina will likely reduce its demand for hydrocarbons due to the expected increase in its state-owned YPF- and Chevron-led development of the Vaca Muerta oil and gas fields.<sup>14</sup> This is an important challenge for the future of Bolivia's hydrocarbons sector.

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11 BIS (2019) and TIC (2019). This datum is likely an underestimate due to the fact that banks report the immediate counterparty (and not the beneficiary owner). Deposits held by Bolivian firms or elites that have set up shell companies in offshore financial centers (e.g., Panama) that in turn hold deposits abroad are counted as Panamanian deposits, not Bolivian.

12 BCB (2019d).

13 BCB (2019b).

14 YPF (2019).

# Reserves

**FIGURE 4**  
**Central Bank of Bolivia: International Reserves and Total Assets Abroad (Billions of USD)**



Source: BCB (2019c).

Bolivia’s large reserves have been instrumental in managing its exchange rate, with a crawling peg to the US dollar, for over a decade. Speculating against Bolivia’s exchange rate is notoriously difficult because of its large reserves (relative to its economy) and as its financial system’s former currency mismatch<sup>15</sup> has been cleaned up (see below).<sup>16</sup> Its capital account (although formally open) is not subject to speculative flows, its securities markets are relatively underdeveloped and the issuance of debt in foreign securities markets is limited. Therefore, Bolivia is relatively well-protected against speculative foreign exchange attacks. Foreign exchange that has flowed into Bolivia since the nationalization of its hydrocarbons was sterilized by the Central Bank, which contributed to keeping inflation low throughout Evo Morales’s administration (see below).

Bolivia’s accumulation of foreign reserves should not be analyzed exclusively from an orthodox perspective or taken as a signal of an orthodox central bank. Starting in 2010, Bolivia’s Central Bank has applied unconventional monetary policy through a quantitative easing program, in order to purchase financial instruments issued by state-owned enterprises as well as government bonds. In December, 2018, almost half (44 percent) of the Central Bank’s balance sheet was invested in

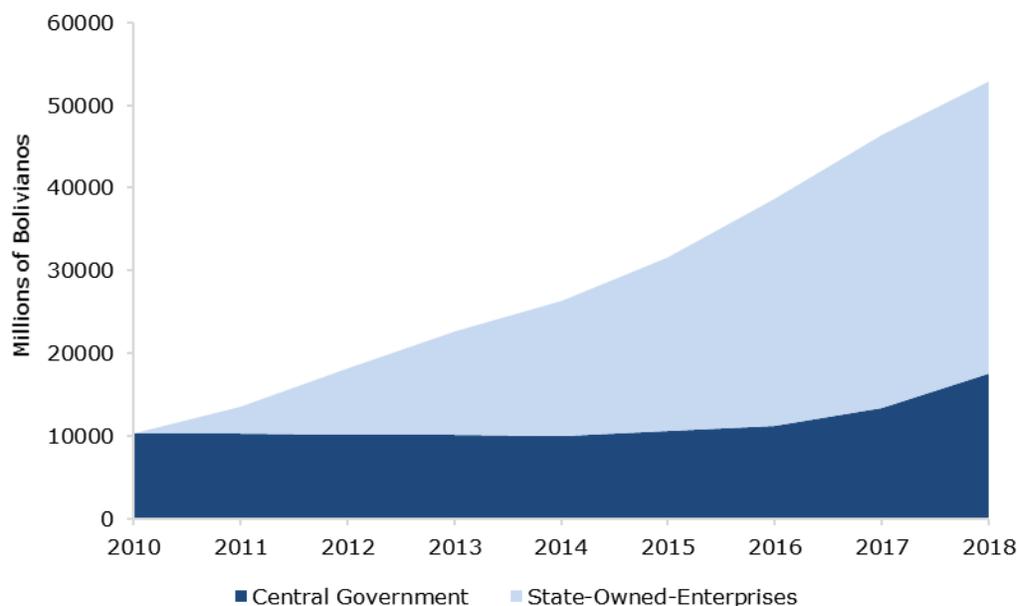
15 The banking system previously had a mismatch between large deposits (liabilities) in dollars with liquid assets in bolivianos.  
 16 IMF (2018): 21, 32.

domestic assets (up from 12 percent in 2010).<sup>17</sup> It is noteworthy that this significant increase in money created by the central bank was not accompanied by an increase in the rate of price inflation (see below). The Central Bank’s funds are directed to contribute to Bolivia’s investment program in its strategic state-owned enterprises’ (SOEs) capital expenditures. This quantitative easing program has contributed to the avoidance of incurring external debt. However, because of the high import component of SOEs’ capital spending, SOEs eventually demand foreign exchange and have a lagged impact of reducing the level of foreign reserves.

As of December 2018, the stock of gross credit to the public sector (central government and SOEs) is over 52 billion bolivianos, the equivalent of \$7.6 billion, or 18 percent of GDP. This unconventional policy orientation has been heavily criticized by the IMF’s Executive Board.<sup>18</sup>

**FIGURE 5**

**Central Bank of Bolivia’s Public Sector Assets (Millions of Bolivianos)**



Source: BCB

The change in the size of the Bolivian financial system has also been impressive. Deposits have grown at an average yearly rate of 14 percent (between 2008 and 2019) even with a relative slowdown in the last couple of years (5.9 percent in 2018 and 3.4 percent year-over-year as of June 2019).<sup>19</sup> Bolivia’s exchange rate and monetary policies have been key factors in re-bolivianizing the financial system: the proportion of dollar deposits in the financial system has decreased from 34

<sup>17</sup> BCB (2019a).

<sup>18</sup> IMF (2018).

<sup>19</sup> BCB (2019c): Operaciones del sistema financiero: Depósitos en entidades de intermediación financiera.

percent in 2008 to 1 percent in 2019 thanks to a combination of disincentives and regulations. Today, Bolivia's banks do not face currency mismatches that are very common in other middle-income economies.<sup>20</sup> Directed lending for productive sectors and low interest rate ceilings are part of the toolkit successfully deployed by the monetary authorities.<sup>21</sup> Total credit in the financial system has grown at an average of 16 percent per year since 2008.<sup>22</sup>

## Public Investment

Public investment has increased with the growth of Bolivia's economy, even during periods of unfavorable terms of trade.<sup>23</sup> Since 2000, Bolivia has the highest rate of public investment, as a percent of GDP, in the region.<sup>24</sup> While acknowledging its positive macroeconomic effects, the IMF has criticized the efficiency of Bolivia's public investment in terms of outcomes per dollar spent.<sup>25</sup>

In the last few years, Bolivia's public sector deficit has increased substantially due to high public investment in the context of less favorable terms of trade. Bolivia's government budget deficit averaged just 1.5 percent of GDP annually between 2006 and 2018. However, between 2015 and 2018, the average annual budget deficit grew to 7.5 percent of GDP; on average, 4.3 percentage points of the deficit were financed internally by the Central Bank.<sup>26</sup>

While the surge in spending under the Morales administrations may be attributed to the hydrocarbons windfalls, tax revenues have also increased substantially and have mostly followed the pace of economic growth. Tax revenues were 21 percent of GDP in 2005, surged to 28 percent of GDP in 2014, and decreased back to 20 percent of GDP in 2018.<sup>27</sup>

Bolivia's \$10.5 billion in gross foreign-denominated public debt is fully sustainable: it is long-term, it is at fairly low interest rates, and it represents a low proportion of exports and of the public sector budget. As of June 2019, only 9.5 percent of total foreign debt is due before 2029; 73.4 percent is due between 2029 and 2059; and 17.1 percent is due beyond 2039 or is indefinite. Twenty percent of Bolivia's foreign debt is in concessional terms and the implicit average interest rate paid in 2019 is

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20 IMF (2018): 21.

21 IMF (2018): 64.

22 BCB (2019c): Operaciones del sistema financiero.

23 Bolivia's terms-of-trade index reduced sharply in 2015 and timidly recovered through 2019, mainly due to the decrease in the prices of hydrocarbons. The 2018 index value was still 47 percent less than the 2011 peak, and 26 percent less than 2006 levels.

24 ECLAC (2019), with data for 20 Latin American countries.

25 Endegnanew and Tessema (2019).

26 BCB (2019f).

27 MEFP (2019): 27.

approximately 3.6 percent. Foreign debt servicing payments are the equivalent of 7.9 percent of annual exports or 3.6 percent of government appropriations (or 0.9 percent of GDP).<sup>28</sup>

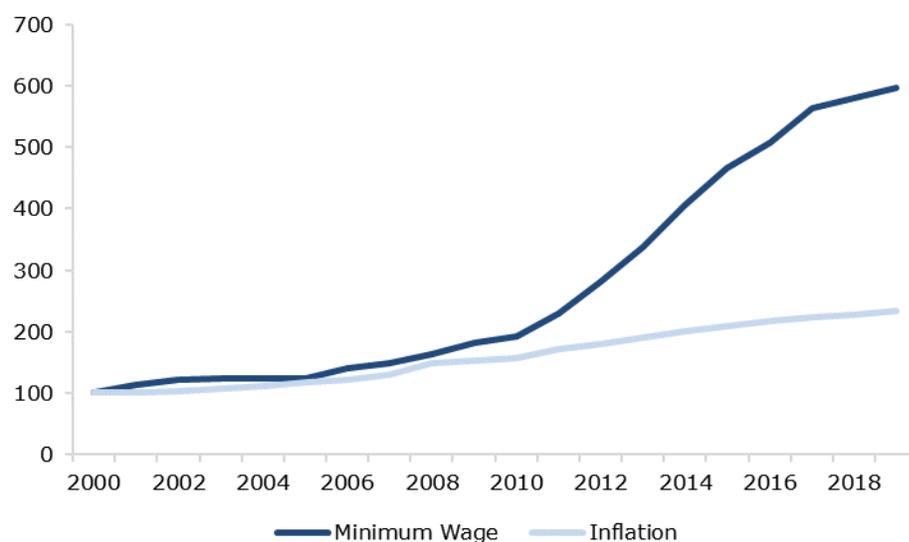
Bolivia's government has directed large amounts of resources to social spending, especially cash transfers targeted toward vulnerable sectors of the population. The three most important transfer programs are Juancito Pinto, a grant to families with children that is designed to incentivize children's school attendance; Juana Azurduy, which gives funds to uninsured new mothers as an incentive for them to seek medical care during and after their pregnancies, in order to reduce maternal and infant mortality; and Renta Dignidad, which provides grants for those over the age of 60. These cash transfer programs translate into increased consumer spending and sustained reduction of extreme poverty. In 2018, 5.8 million Bolivians — 51.8 percent of the population — received a direct government cash transfer.<sup>29</sup>

From 2005 to 2017, the Bolivian government increased social spending by 80 percent in real terms. However, it is arguable that the government could have done even more for the poor. As a percent of GDP, social spending actually decreased between 2005 and 2013, though it has since risen to 12.7 percent of GDP, up from 12.4 percent of GDP in 2005.<sup>30</sup>

## Purchasing Power

FIGURE 6

Minimum Wage and Consumer Price Index (Year 2000 = 100)



Sources: INE (2019c), IMF (2019), authors' calculations.

28 BCB (2019e).

29 MEFP (2019): 39.

30 MEFP (2018).

The fixed exchange rate combined with relatively low domestic inflation and a consistent rise in minimum wages has improved the purchasing power of the vast majority of Bolivian citizens. Wages are negotiated every year between the government and the unions.<sup>31</sup>

By 2018, the real (inflation-adjusted) minimum wage had more than doubled since 2006, a 140 percent increase after adjusting for inflation.<sup>32</sup>

In addition, the government can decree the payment of a bonus salary at the end of the year (Christmas bonus) known as *doble aguinaldo*, if GDP grows above 4.5 percent. Most recently, the government has used 15 percent of the *doble aguinaldo* funds to promote and direct consumption of domestically produced goods. The workers receive those funds as credits in a mobile app; they can only spend those credits in participating venues such as grocery stores and only for domestically produced goods.<sup>33</sup>

In its most recent Article IV review, the IMF argues that Bolivia's real exchange rate has appreciated in part due to the government's minimum wage policies and calls for a reduction in real wages. It attributes the slowing rate of private sector investment in non-hydrocarbons sectors to the appreciated real exchange rate.<sup>34</sup> This approach minimizes the importance of Bolivia's solid growth in aggregate demand as an incentive for private sector investment. Higher real wages have not decreased employment; in fact unemployment was nearly halved (from 7.7 percent to 4.4 percent) in 2008, in large part due to the spending increases that year, and has continued at roughly around that level through 2018.

The consistent increase in Bolivians' purchasing power via increased employment, higher real wages, and government transfers has contributed to reducing the poverty rate (as measured by income). The poverty rate is below 35 percent (down from 60 percent in 2006), and the extreme poverty rate is 15.2 percent (down from 37.7 percent in 2006).<sup>35</sup>

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31 IMF (2018): 18.

32 INE (2019c).

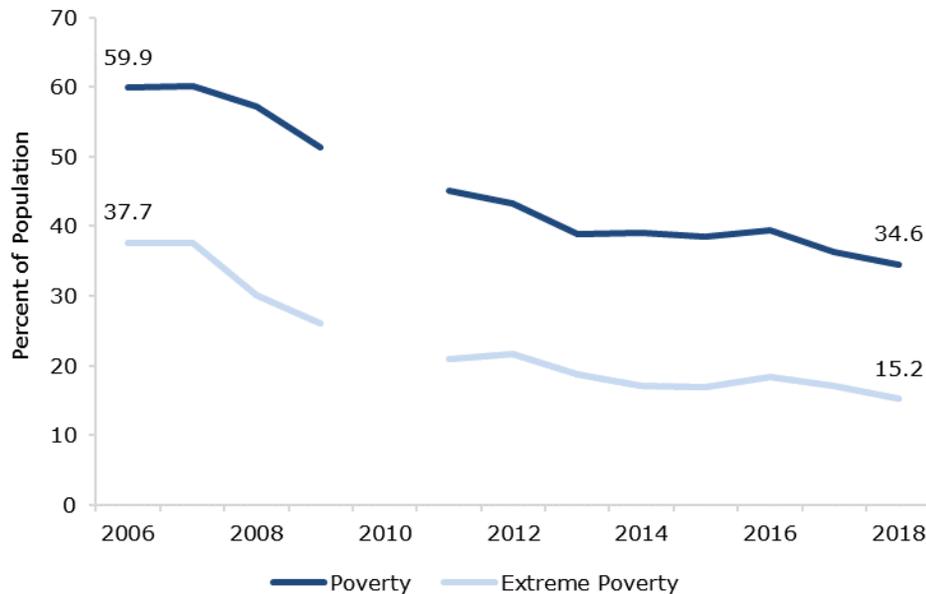
33 AGETIC (2019).

34 IMF (2018): 17,18,41. The IMF considers that higher wages contribute to inflation and thus to an appreciation of the real exchange rate.

35 See 2006 figures in Weisbrot and Sandoval (2007) and MEFP (2019): 35.

FIGURE 7

Poverty Rates as Measured by Income (in percent of population)



Sources: INE (2018) and INE (2019a).

## The Future of the Bolivian Economy

Bolivia's economic transformation was possible due to overarching political transformations in the country, including a new constitution with significant economic mandates. As noted above, the nationalization and public ownership of natural resources and strategic sectors of the economy were crucial in generating the surplus funds to finance an aggressive public investment regime and a redistributive fiscal policy.

However, the transformations are not limited to macroeconomic management and social policy. Bolivia's constitution recognizes a plural economy as part of what it calls a "social productive communitarian economic model." This means that the state recognizes the different existing ways of organizing production, including cooperative and what are called associative and communitarian enterprises. The number of enterprises registered with the government — i.e., companies in the formal sector of the economy — grew fivefold from 64,000 in 2005 to 316,000 in 2018. Most of this growth occurred between 2013 and 2014 — when public investment shot up — but it has continued since then. Likewise, the number of accounts opened in the financial system ballooned from 1.9 million to 11 million, demonstrating an aggressive policy of financial inclusion.<sup>36</sup>

<sup>36</sup> MEFP (2019): 10, 21.

One of the ongoing challenges in the development of Bolivia's economy is productive transformation. To this end, the new agrarian reform law of 2006 has formalized land claims through an ambitious titling effort,<sup>37</sup> and further, the new land reform has redistributed previously underutilized land to increase the capacity for socially useful production. Since 2006, over 75 million hectares of land have been surveyed with 935 thousand titles issued.<sup>38</sup>

Prior to the 2006 land reform, official estimates indicated that 66 percent of potentially productive land was owned by just 0.63 percent of landholders.<sup>39</sup> Four out of every ten hectares that had been owned by private firms but that did not serve the public's economic interest were reclaimed by the state and distributed to peasant and indigenous communities. The firms affected by the redistribution were largely logging companies, chestnut producers in the northern Amazon, medium-sized agricultural properties, and other firms that failed to fulfill the obligatory economic-social function, as well as holders of fraudulent agricultural titles.<sup>40</sup>

According to the Instituto Nacional de Reforma Agraria (INRA), by 2010, 3,945,641 hectares were redistributed to 56,000 families, the majority of whom live in communities or Native Community Lands (Tierras Comunitaria de Origen, or TCO) with an average of 70 hectares redistributed to each beneficiary family.<sup>41</sup>

Bolivia's long-term Agenda Patriótica 2025 includes targeting food sovereignty in the medium term.<sup>42</sup> Food sovereignty is essential for a landlocked country that is pursuing sovereign economic policies and that may face threats (as Bolivia has, in the past) from larger, more powerful countries.

Perhaps Bolivia's most pressing challenge is large-scale industrialization. Its 2025 agenda involves the construction of basic industries, such as steel and petrochemical plants for the industrialization of its vast natural resources. Bolivia's ample lithium reserves are seen as a lever for industrialization, considering the technological trend of metal electric battery use for power storage that includes the expected widespread adoption of electric vehicles. Technology transfer through well-constructed partnerships is a key component for Bolivia's future industrialization.

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37 The "Ley De Reconducción Comunitaria de la Reforma Agraria" (Ley N° 3545) de 28 de Noviembre de 2006. See INRA (2011).

38 See INRA (2017).

39 Weisbrot and Sandoval (2008).

40 INRA (2010).

41 Ibid.

42 Ministerio de Planificación del Desarrollo (2018).

## Conclusion

Bolivia's progressive and heterodox macroeconomic management has been successful by standard economic measures, and with a broader social and economic development model, it has reduced poverty and extreme poverty, inequality, and external dependencies. Of particular importance to contemporary debates, Bolivia's monetary financing of fiscal stimulus for wage-led growth suggests that coordination between the Finance Ministry and the Central Bank need not imply runaway inflation or foreign exchange shortages. The political decision to nationalize its natural resources has been an essential feature of this model.

Bolivia now faces challenges common to those of a middle-income country. Industrialization and economic diversification have been recognized as medium-term goals by its authorities, as part of the country's longer-term development strategy. Continuing the government's successful macroeconomic management, while maintaining inclusive social policies as the country pursues further transformations in the next stages of economic development, remain the primary challenges going forward.

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