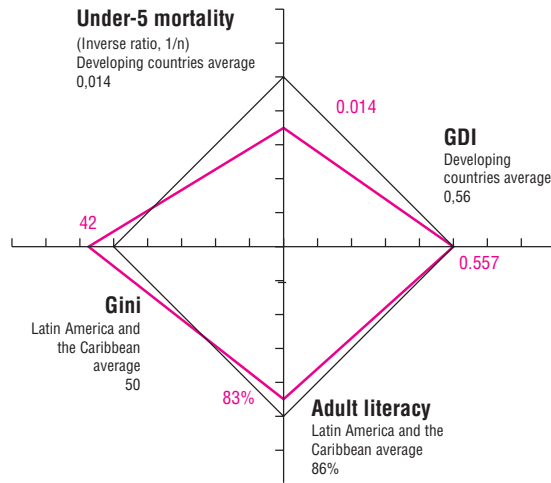


B O L I V I A

R E P O R T

THE CONTRADICTIONARY ROAD TO EQUITY



The Equity Diamond: National values in terracotta compared to regional ones in blue.

The structural adjustment process currently underway, designed to promote globalisation, emphasises economic development and regional integration, with a complementary component of internal governance.

On questions of the economy, governments have put their faith in invisible market forces to regulate social relations. This faith is so great that leading groups do not have their own national development programmes or strategic visions; all they have are programmes for market development.

The paradigm of economic efficiency is self-justifying and excludes all social considerations except politics, which is needed for its legitimisation. If, on the one hand, studies of economic adjustment measures indicate success, then they are indisputable in terms of their own bases for analysis, since the macro-economic indicators that are generally used hide the inequities these

measures generate. On the other hand, it is acknowledged that the «market» is not the best allocator of resources for social investment and that it naturally produces inequities.

The current development formula apparently rests on productive investment from internal (via individual and collective savings) and foreign sources, and governance based on democratic institutions. For the technical experts in charge of managing and overseeing central government financial and treasury policy, the combination of the two components allows them to let the market function at an «acceptable» level of inequity, rather than to try to surmount inequity.

OPENING UP TO SOCIAL ISSUES

There is political pressure to open up to social issues, since during the period under analysis, a context has evolved for sustainable development, at least at the local level. The «Popular Participation Law» and its regulatory decrees, the health care, education and pension system reforms, the institutionalisation of gender policies, and capitalisation itself are aimed at surmounting or at least palliating the inequities produced by structural adjustment.

As a result of the new political openings towards sustainable development, the state is being redesigned. It is taking on a new dimension and setting guidelines for building a pluralist society that is multi-cultural, multi-ethnic and multi-lingual. Democratisation is being facilitated by the state. This process of modernisation can and should be led by civil society. A function of the new state should be to facilitate social integration and redistribution of wealth.

TWO SPHERES OF MODERNISATION

Structural adjustment managers deal with indicators that are aggregated to the national level, at which the central government and particularly the Executive operate. However, progress toward sustainable development is made by prioritising the local sphere, which is governed by autonomous municipalities.

The two spheres were formalised by an executive reform that established the Ministry of Economic Development¹ and the Ministry of Human Development. The former oversees the national financial system and treasury and monitors adjustment policies. The latter coordinates activities in health, education, gender, urban and rural development, citizens' participation, etc., in line with the commitments under evaluation.

Between the first sphere corresponding to the national level and economic development, and the second sphere corresponding to the local level and human development, there is a third sphere with the suggestive name, the Ministry of Sustainable Development and Environment. This should act as a hinge between the two, but has failed to do so. These spheres are both complementary and at odds with one another. Their only area of agreement is the acknowledgment that poverty will not be eradicated in the short term.

The commitments assumed by states at the Social Summit are framed in a comprehensive vision of development and, consequently, of the eradication of poverty. But structural adjustment has led states to establish poverty policies that are merely palliative. **Thus we start with the hypothesis that the Bolivian state faces a contradiction: it is undertaking legal and institutional reforms within a comprehensive conception of poverty eradication; at the same time, it is implementing policies geared to greater concentration of wealth with scant generation of jobs.**

Structural adjustment began in 1985 and proceeded in two stages distinguished on the basis of policy prioritisation.

In the first stage, traditional stabilisation policies were implemented along with supporting measures for contraction of monetary and fiscal variables. At the same time, another set of policies was implemented that changed the course of internal and external economic relations. The opening up of the national economy to international markets through an abrupt reduction of tariffs had two aims: to permit entry of merchandise in order to raise the supply of goods and thus counteract inflation, and to generate conditions for Bolivia's reentry into the world economy.

Markets for goods, services and labour were liberalised, so that their respective prices and quantities would be determined by the labour force. The state was restructured and assigned new functions. Its role in economic activities was restricted.

Because of the sense of urgency and the effects of hyperinflation, this economic policy succeeded in stabilising prices, so much so that the country has achieved single-digit inflation in recent years. While this achievement can be considered a success, the emphasis on stabilisation had its limitations. It resulted in lower growth rates, restrictions on restructuring of production, and significant social deficits. These in turn influenced civil society's attitude regarding demands for more jobs and higher wages.

The second stage of the structural adjustment process began in 1993, under the presidency of Gonzalo Sanchez de Lozada.

During his administration a set of measures closing the structural adjustment cycle were implemented. In the 1993–1997 phase, the country has gone through profound structural change. The dynamics of social life have changed, and new norms have been put in place that will henceforth govern the behaviour of citizens.

To identify the implications and effects of structural adjustment, we can differentiate two levels. The first is linked to the market and to globalisation of the world economy. The second is associated with the new roles of government and the definition of spaces for civil society to participate in some decision-making processes.

CAPITALISATION OF STATE-OWNED COMPANIES

In recent years the flow of foreign financing to Latin America, in the form of direct foreign investment, was directed to the region's large countries or to those offering higher profits through modification of laws to allow entry of foreign capital into production and service sectors that were previously off-limits to transnational companies. Foreign financial or portfolio capital preferred securities offered by the so-called emerging countries of Latin America.

For these domestic and foreign reasons, the Gonzalo Sánchez de Lozada administration conceived the «Capitalisation of State-Owned Companies» programme in order to attract direct foreign investment. This programme requires foreign companies to invest an amount equivalent to the value of the state-owned companies being capitalised. The resources contributed by these so-called «strategic partners» must be invested in the companies being capitalised. 50% of the ownership of a capitalised company goes to the investing transnational firm and the other 50% to the Bolivian people.

Five companies² have been capitalised, yielding a total of \$1629.5m (25% of GDP), which will be invested in the capitalised companies. This is the greatest point of difference with the classical form of privatisation. Another difference is this foreign investment is not being channelled to solve budget deficit problems, but instead to expand the production apparatus or the capital stock of the companies.

The purpose of this new form of privatisation of state-owned corporations, according to the government, is to correct the country's structural deficiencies in savings and investments. It is supposed to generate a virtuous circle of accelerated GDP growth, improved job quality and quantity, and higher salary levels based on the positive multiplying effects of economic activities in general.

An important element in this potential virtuous circle is that the capitalised companies undertake capital-intensive activities.

¹ It would later be divided into two: the Ministry of the Treasury and the Ministry in Charge of Economic Development.

² Empresa Nacional de Telecomunicaciones – ENTEL (Telecommunications), Empresa Nacional de Ferrocarriles – ENFE (Railways), Lloyd Aéreo Boliviano – LAB (Airways), Yacimientos Petrolíferos Fiscales – YPFB (Oil) and Empresa Nacional de Electricidad – ENDE (Electricity).

They will constantly require raw materials, equipment and instruments that are not produced domestically and will have to be imported. This means that much of the capitalisation resources will be channeled abroad. As a result, few new sources of employment will be generated.

The purpose of the capitalisation process is to improve conditions for profit, rather than to enhance the quality and quantity of employment. Direct foreign investment has confirmed this trend. It has gone primarily into natural resource and services sectors, and secondly into sectors where the capital–labour ratio favours capital. Hence we are not optimistic that foreign companies will generate new jobs, raise salaries or impact positively on production.

THE SOCIAL SECURITY REFORM

One objective of structural adjustment is to solve the internal savings deficit. Hence, a pension system reform was undertaken that permanently terminated the distribution system and established an individual account system. This consists of monthly contributions by salaried and non–salaried persons to pension fund administrators (AFP).

A crucial aspect of the social security reform is that the resources administered by the AFPs have to be channeled through the stock exchange. By law, AFPs can invest 70% of their resources in the national capital market and the remaining 30% in international stock markets. However, structural limitations in the Bolivian capital market must be corrected before these resources can go into the national production sector.

Furthermore, earnings of transnational companies are distributed through dividends, while the portion corresponding to the Bolivian people (50% of the shares) is deposited with the AFPs who may use part of these resources to pay the Solidarity Bond (BONOSOL) that benefits persons over 65 years of age.³

EMPLOYMENT: SITUATION AND PERSPECTIVES

There are two interpretations of the overall figures that reflect the situation of the job market. The first is the minority view, which sees no problems of great concern because the unemployment rate is fairly low. In overall terms through June 1995, the jobless rate was 3.6%, which is lower than the 6% rate prevailing in October 1993. Nevertheless, there are doubts about this, since growth of production is low, as is the investment rate and the generation of new sources of employment.

The second interpretation emphasises the overall variables of the job market, and – more importantly – disaggregates the composition of the work force employed in the formal and informal areas.

As regards formal employment, the national private sector was hit by the crisis of the 1980s and by the opening up of the national economy. Both affected the use of installed capacity and, therefore, the levels of employment. In the manufacturing industry, idle capacity has reached approximately 45%. This shows that part of the manufacturing apparatus is obsolete and helps to explain why there is no significant generation of new employment.

Consequently, **the national private sector cannot generate new jobs rapidly enough to keep up with growth of the economically active population (EAP)**. In recent years, business behaviour has been affected by the opening of the market, since the volume of production is compatible with the market segment it controls. This in turn conditions the level of employment.

As a result of structural adjustment, the state has disinvolved itself from productive enterprises in the last four years. This has entailed dismissal of workers and their transfer to the private sector. The state also lost its role in job generation, and the few jobs it does generate are in central administration.

In the meantime, there is an expansion of the informal sector in urban cities to meet the urgent needs of the population entering the job market or those displaced from the formal sector. For this reason, the urban informal sector absorbs 63% of total urban employment, primarily through generation of self–employment in family and semi–entrepreneurial economic units.

Despite their importance, informal economic units were excluded from structural adjustment and at no point have they been a focus of government since 1985. The few legal provisions enacted are geared to credit, eg, creation of the private financing funds. In this light it is essential to design and implement a policy that generates conditions favourable to the informal sector by allowing sustained accumulation and strengthening alliances with others in order to broaden their space in the market. Otherwise, the population involved in the informal sector will not be able to qualitatively improve its economic condition, much less cover its vital needs.

GOVERNMENT SOCIAL INVESTMENT

It has been shown that the market is not the best instrument for allocating resources for social investment. Furthermore, prioritisation of projects in this area, even in markets as heterogeneous and segmented as Bolivia's, does not ensure that production will be restructured. In this respect, the government should continue to exercise a fundamental role in the allocation of resources.

External financing of public investment is a structural problem that –insofar as no medium–term solution exists– increases this sector's vulnerability. During the previous administration (1993–1996), external credit provided 74% of financing and donations were 24%. This strong financial dependence is due to the fact that the internal resources did not react favourably, despite the tax reform that is underway.

³ This year the BONOSOL was paid for the first time, in an amount which for senior citizens was \$250 per person.

Since 1989 social investment has increased in comparison with previous periods. In 1993, some \$92.1m was allocated and in 1996, \$214.8m. Compared to total public investment, these represent 12.9% and 39.8% respectively. Undoubtedly a major effort is being made, since social public investment grew 2.3 times in the years in question. Funding differs among the various social sectors. Funds allocated to health and social security were relatively stable for the two years indicated. However, resources for education and culture rose considerably as educational reform was implemented. These resources came from external financing, particularly from credit granted by multilateral organisations.

This favorable behaviour is supported by improvement in the social investment rate, which in relation to GDP in 1996 was 3%. Yet, if we compare it with the social demands of the population, this performance does not amount to much.

The health and education sectors are heavily dependent on donations and foreign credit. In 1995 they covered 88% and 95%, respectively, of investment in the two sectors. This is a subject of concern, since it means that these fundamental sectors are highly vulnerable.

To ensure that scant public resources are efficiently used, the government delegated part of the investment to municipalities for construction and maintenance of health and education infrastructures. The beneficiary population is expected to participate actively in monitoring and oversight. This will ensure good results and efficiency and quality of investments.

Thus, the redefinition of government functions and decentralisation via municipalisation have changed the composition and administration of public investment. As regards administration, the municipalities and provincial governments assume responsibility for directing and administering public investment projects. Depending on the type of institutional mechanism involved, selection and priority of the projects falls to them. A future challenge is to improve the quality of investments, which will be possible to the extent that the participation of civil society is encouraged and efficient social monitoring mechanisms are generated.

GENDER EQUITY POLICIES

In the framework of the Summit commitments, progress towards integration of gender equity in government institutions is of interest.

An important institutional mechanism for a qualitative leap from traditional assistance-type policies towards gender equity is the

National Women's Programme (1992). In the 1993–1997 structural reforms, this programme became the Under-Secretariat for Gender Affairs (SAG), with a view to «*reshaping the legal and institutional framework of the state to favour equality of opportunities for men and women*» and setting gender policy.⁴ The organisational structure of SAG is based on administrative decentralisation reforms. It includes departmental agencies⁵ whose areas of coverage are as follows:⁶

- a. To ensure that legal reforms include the perspective of gender, an element introduced in the Popular Participation Law, the Educational Reform, the National Agrarian Reform Institute Law, the Law Against Family or Domestic Violence, the Penal Code, the Code of Criminal Procedure, and the Electoral Code.
- b. To set policies with a view to seeking the transversality of the gender focus at governmental and sectorial levels. Elements of this are included in:
 - The National Plan for Prevention, Punishment and Eradication of Violence against Women.
 - The communications strategy for disseminating information on discrimination against women.
 - Educational reform.
 - Policies for dealing with occupational and income discrimination.
 - A plan for equal opportunities for women.⁷
 - Gender policies in the popular participation process.
 - Gender focus in the Strategic Actions Program (PAE).
- c. To encourage and execute programmes, prioritising those correlated with policy design in the following programmes:
 - Women and Municipal Action
 - Support to women in the small and medium enterprise sector
 - Dissemination of the Beijing World Action Platform
 - Health and violence against women and girls, prevention of violence in schools.

The SAG likewise implemented the following services: Comprehensive Legal Services (40), Family Protection Brigades (10), training for judges in the administration of justice with a gender approach and other training activities geared to women.

The SAG's fundamental objective is to achieve transversality of the gender approach at the macro and micro levels with a view to guaranteeing its institutionalisation and to playing a leading role in national policy decisions. To achieve this, the SAG found it necessary to create coordination mechanisms for different national bodies.

⁴ Brochure introducing the Under-Secretariat for Gender Affairs.

⁵ Under the administrative reforms, the SAG forms part of the Ministry of Human Development which reports to the National Secretariat for Ethnic, Gender and Generational Affairs at the national level. At the departmental level, gender units were created that report to the Social Management Office within the Departmental Secretariat for Human Development.

⁶ Report on SAG activities. SAG 1997.

⁷ Recently published proposal document.

Recognising the validity of institutional spaces for the advancement of women, and in light of past practice, a balance can be drawn indicating the weaknesses that must be surmounted:

- a. There is scant political will to consider the gender approach as an integral part of a national strategy. SAG's placement at the under-secretariat level deprives it of participation in political decision-making at macro, regional and sectorial levels, and relegates it to purely sectorial policy-making within the social sphere. This political attitude reflects the persistence in the central government of patriarchal and «machista» elements.
- b. In view of the foregoing limitation, the SAG is hindered from fulfilling its primarily regulatory role; it carries out actions for the execution of different programmes, but its mandate to design and implement national policies is limited.
- c. Considering gender focus as a subject of social policies alone yields a lack of a concern in the economic sphere, where gender «neutrality» is maintained.
- d. Ninety per cent of the SAG's budget comes from external cooperation and only 10% from the national treasury. This weakens SAG's institutionalisation, since its functioning depends on foreign cooperation. The state must assume SAG's activities as part of its budget.
- e. Successes to be underlined are SAG's achievements in human resource training, the fruits of which are a broad and rich se-

ries of publications with gender content that will have positive effects for the future. Similarly, through a communications policy (radio programmes, television spots and campaigns), SAG has given visibility to the problems and demands of women, thereby creating a space for gender issues throughout society.

- **Capítulo Boliviano de DDHH, Democracia y Desarrollo (Bolivian Chapter on Human Rights, Democracy and Development), Centro de Estudios para el Desarrollo Laboral y Agrario (Labour and Agrarian Development Studies Center), Proyecto Control Ciudadano (Social Watch Project).**

Based on the following papers:

- »*Ajuste estructural y erradicación de la pobreza*», Carlos Villegas Quiroga.
- »*Ley de Participación Popular: Hacia el ejercicio pleno de la ciudadanía*», Guillermo Bazoverry.
- »*Equidad de Género*», Natasha Loyza, Diana Urioste.
- »*Principales Políticas y Programas Sociales*», Mauricio Casanovas.