



The Distribution of Bolivia's Most Important Natural Resources and the Autonomy Conflicts

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Over the last year, there has been an escalation in the political battles between the government of President Evo Morales and a conservative opposition, based primarily in the prefectures, or provinces. The opposition groups have rallied around various issues but have recently begun to focus on "autonomy." Some of the details of this autonomy are legally complex and ambiguous, and they vary among the provinces whose governments are demanding autonomy. Since May of this year, four prefectures – Santa Cruz, Beni, Pando, and Tarija, which are often referred to as the "Media Luna"¹ – have held referenda, which were ruled illegal by the national judiciary,² in which a majority of those voting voted in favor of autonomy statutes.

The distribution of Bolivia's most important natural resources, arable land and hydrocarbons, is one of the most important underlying sources of the dispute. At the same time, the redistribution of such resources may be necessary for the government to deliver on its political promise to improve the living standards of the country's poor majority, who are also disproportionately indigenous. According to the most recent data, Bolivia has a poverty rate of 60 percent. The number of people in extreme poverty is about 38 percent (UDAPE, 2008). Extreme poverty means not having regular access to basic needs for survival: for example, about 28 percent do not have drinkable water, and about 24 percent of children under 3 years old are malnourished. Poverty is much more concentrated in rural areas, where it averages 76.5 percent (World Bank, 2005).

Hydrocarbon Revenues

The national government was also elected on a program of gaining control over the country's hydrocarbon revenue and using that revenue for poverty alleviation and development. As such, the 2005 hydrocarbons law and re-nationalization in 2006, combined with general increases in energy prices, resulted in a \$1.3 billion dollar (10 percent of GDP) increase in the country's hydrocarbon revenue from 2004 to 2007. All provinces gained from this increase. In fact, as the table below shows, the Media Luna states as a group have the lion's share of the hydrocarbon revenue: 30 percent, as compared to 19.7 percent for the other five states (whose combined population is 79 percent greater than the Media Luna). Only about 25 percent of total hydrocarbon revenue accrues to the national government while 25.2 percent accrues to the national hydrocarbons company (YPFB). About half, or 49.7 percent, goes to the prefectures, municipalities, and universities.

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¹ The "Media Luna", or Half-Moon, refers to the shape of these four provinces in carving out a half-moon of the eastern part of the national territory.

² Corte Nacional Electoral, República de Bolivia (2008).

Distribution of Hydrocarbon Revenues Among Departments and the Central Government (in millions of \$USD)

	2004	2005	2006	2007
<i>Media Luna Departments:</i>				
Tarija	66.0	137.9	218.5	237.3
Santa Cruz	28.9	44.4	96.8	117.9
Beni	7.8	29.0	57.4	62.4
Pando	3.9	23.6	50.1	54.2
<i>Other Departments:</i>				
La Paz	0	20.3	61.1	73.3
Cochabamba	29.4	40.5	80.5	86.7
Chuquisaca	4.6	16.9	51.0	58.1
Oruro	0	18.1	42.8	46.1
Potosí	0	18.1	42.8	46.1
Total Departments	140.6	348.8	701.0	782.1
Central Government	147.0	259.2	377.8	394.0
YPFB	0	0	220.4	395.9
Total	287.6	608.0	1,299.20	1,572.0

Source: Ministerio de Hidrocarburos y Energía (MHE). Note: 2007 figures are MHE estimates.

Of all the oil and gas producers in the world, where hydrocarbons are a sizeable share of national income and/or export earnings, there is probably no country where sub-national governments get such a large share of the hydrocarbon revenue. In most developing countries, it is assumed that these valuable resources belong to the nation as a whole, not to the particular region in which they happen to be underground. This is especially important for developing countries, since their development strategy – the means by which they can eliminate extreme poverty and reduce overall poverty – is based on using the rents from their mineral wealth to diversify away from hydrocarbons, as well as investing in economic and social infrastructure. The Media Luna states are advocating in another direction: in a country that already distributes its hydrocarbon revenues more than any in the world to provincial and local governments, they want even more to go to the provincial governments. This would make it more difficult for the government to pursue an overall economic development strategy.

Conclusion

It is clear that the distribution of Bolivia's land and hydrocarbon revenue occupies an important and possibly central role in the autonomy dispute. While there is room for compromise and give-and-take on many issues with regard to the powers of provincial and local governments, it may be difficult or impossible for the government to deliver on its promises without significantly altering the distribution of land. Also, to cede even more control over hydrocarbons resources to the provincial governments, where it is already very unequally distributed, would make governing even more difficult.

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