



Institute of Local Public Finance

Working Paper 01-2017

October 2017

***The "Pacto Fiscal" in Bolivia - A sound
intergovernmental forum or just another toothless
paper tiger?***

Jan Werner

Copyright 2017, I.L.P.F. GmbH. No part of the material protected by this copyright notice may be reproduced or utilized in any form or by any means without prior written permission from the copyright owner.

The "Pacto Fiscal" in Bolivia - A sound intergovernmental forum or just another toothless paper tiger?

Jan Werner

Professor of Economics at the Cologne Business School, Hardefuststraße 1, 50677 Köln, Germany and Lead Economist at the Institute of Local Public Finance, Friedrich-Ebert-Straße 79, 63225 Langen, Germany, jan.werner@ilpf.de

Abstract

A range of intergovernmental forums exists around the world, and their political success varies from country to country. In January 2009, Bolivia adopted a new constitution, which places emphasis on the values of liberty, independence, self-determination, democracy, equality of opportunity, decentralisation and autonomy in the country, now renamed 'the Plurinational State of Bolivia'. Based on this new constitution, the decentralisation law in Bolivia established the National Decentralisation Council. This council is chaired by the President of Bolivia or his deputy and is composed of representatives of the central government, the governors of the departments, and representatives of the municipal associations and indigenous communities together. A central task of the council is the preparation and negotiation of the so-called Fiscal Pact, which regulates financial relations between the different levels of state (central government, departments and municipalities). A reorganization of the financial equalization is urgently needed as the tasks newly assigned to the sub-national levels (departments and municipalities) are insufficiently funded, and existing financial allocations to individual communities and departments are very different. The partially weak provision of public services in individual sectors is also a consequence of outdated and unequal fiscal equalization. This paper thus provides a short analysis of Bolivia, and suggests an alternative source of funding for the sub-national administrations.

JEL Classification: H7; H2; H1

Keyword: Fiscal Autonomy, Grants, Bolivia

The working paper 01-2017 was published as Jan Werner (2018): The "Pacto Fiscal" in Bolivia - A sound intergovernmental forum or just another toothless paper tiger? in Sucky et al (2018) Mobility in Globalised World 2017, Logistik & Supply Chain Management Issue 19, Bamberg, Germany, University of Bamberg Press, page 184-191