



# Crisis and rural poverty in Latin America: the case of Bolivia <sup>1</sup>

Author: Luis Baudoin

## Executive Summary

At the request of the Institute of Peruvian Studies, an investigation is underway that aims to assess the effects of the present global financial crisis on rural poverty in Bolivia. The investigation is founded on the basis that poverty in Bolivia is geographically focused, and that its main characteristics critically cut across rural life, ethnicity and gender.

The investigation highlights how the source of the present global financial crisis shares the same causes as the stock market crash of 1929, in the sense that it is a crisis predominantly based on a concentration of income that makes development unsustainable and unviable. The report maintains that as long as solutions proposed for the crisis do not deal with this main issue, they will only have a palliative effect, with little possibility of resolving situations, such as the present, in the short term. It is believed that even with the implementation of Keynesian-type policies, the crisis will continue at least for a decade. The paper finally sets out the different ways in which the crisis will be transmitted to the economies of the region, directly influencing their level of internationalisation.

In the particular case of Bolivia, it is believed that the crisis will generate an impact on the export sector (mainly mining and industrial agriculture), even though major transmission channels for the crisis do not exist. This will have repercussions for the second quintile of poverty, increasing overall poverty in

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<sup>1</sup> This working paper has been originally published in Spanish: Baudoin, L. 2009. "Crisis y pobreza rural en América Latina: el caso de Bolivia". Documento de Trabajo N°40. Programa Dinámicas Territoriales Rurales. Rimisp, Santiago, Chile. This document can be accessed through the following link [www.rimisp.org/dtr/documentos](http://www.rimisp.org/dtr/documentos). It is part of the series Crisis and Rural Poverty in Latin America and summarizes the possible effects of the current crisis in the rural populations of 11 countries in the region: Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Colombia, Brazil, Bolivia, Dominican Republic, Paraguay and Peru.

the country. The effects of the crisis on Bolivia may also be greater depending on its magnitude in Argentina and Bolivia.

Analysis of the programmes and emergency measures proposed by the Government concludes that even though a policy of increased public spending may mitigate the impact of the crisis, its effectiveness will depend on the available resources and management capacity of the State. Although the Bolivian economy is solid in macroeconomic terms and resources are available, the capacity to respond at public level so far demonstrated may reduce the effectiveness of such policies.

An excessive focus on increasing public investment will not be enough unless efforts are made to strengthen the capacity of the poorest communities to generate sustainable living conditions. In this case, the actions to be taken should be broadly distributed, requiring a radical restructuring of the institutional framework if they are to be effective and efficient. The proposal contained in this paper is focused on a structural approach and seeks to harmonise the needs of vulnerable groups and the assistance offered by the State, accompanied by international support; it seeks to consolidate food security in the short term and sectoral development in the medium term, through the application of a sectoral development approach.