The Bolivian government is using a portion of the rent generated from its fossil fuel reserves to fund unconditional cash transfers as a means of redistributing resources. Although some countries have enacted conditional cash transfers in the past, these unconditional transfers are unique since they only have been implemented in a few countries. This study examines the impact of these policies through the results of interviews conducted in El Alto, a poor city outside of La Paz. Qualitative evidence shows that the cash transfers provide a significant positive impact on beneficiaries. The transfers help create human capital by elevating the quality of recipients' diets, providing educational supplies to children, helping recipients obtain medicines and medical care, and allowing them to save for the future. Problems regarding the handout of cash transfers include lack of standardized requirements for receiving them, misspending and abuse among the beneficiaries and their family members, and corruption of local officials. There are also some problems with targeting the eligible population. In a country with high levels of corruption, less formal institutions in relation to other developing countries, the effectiveness of these policies are subject to debate.

The discourse used to promote the program is very particular. The government no longer allows international corporations to exploit the natural resources; instead, they tax foreign extractors in order to fund these social programs. The government launched the cash transfer program in way that could be interpreted as self-interested (clientelistic), since the president and the government are strongly associated with the program. This paternalistic approach has been used selectively in presidential campaigns.
The social construction framework provides a lens through which we can analyze the cash transfer beneficiaries as dependents who are slowly being empowered by the government through economic incentives and moving to a more positive place in the spectrum of Bolivian society. It also helps us understand how the government targets this population because of their electoral potential. In order to understand the real effect of these policies at the national level, more qualitative and quantitative analysis is needed throughout the country.
Unconditional Cash Transfers: 
Will Redistribution in Bolivia Work? 

By 
Andres Vaughan 

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Unconditional Cash Transfers: Will Redistribution in Bolivia Work?

Introduction

Africa is the poorest region of the world, but Latin America is the most unequal. Redistribution is a popular subject in Latin America, and there have been many attempts by governments to distribute resources more equitably. For populist governments, redistribution appears in the form of cash transfers, which are accompanied by state intervention and nationalization of natural resources (Schroeder, 2007; Weyland, 2001).

Bolivia in particular stands out in the Western Hemisphere as a country with the highest percentage of indigenous people in Latin America and a history of strong social movements. It is also one of the poorest countries in South America, and one of the least developed (Klein, 2003; Madrid, 2005, 2008). Its socialist government, led by the party Movimiento al Socialismo (MAS), recently nationalized the country’s oil and natural gas reserves (Schroeder, 2007).

Bolivia uses a small amount of its fossil fuel surplus on unconditional cash transfers (“bonos” in Spanish), which are given to the primarily indigenous impoverished class. In other nations with cash transfer programs the government usually monitors distributions to ensure that the funds are being spent properly. The Bolivian government, however, does not monitor the distribution of the cash transfers.

This research will attempt to answer the following questions regarding unconditional cash transfers in Bolivia: (1) what has been the impact of cash transfers on recipients, (2) have cash transfers positively influenced the economic integration of the marginalized indigenous class, and (3) are cash transfers a sustainable and fair strategy adopted by the government for poverty reduction?

Literature Review
Cash transfers have been an increasingly common and highly controversial way of decreasing inequality and poverty in the developing world. The majority of research has been dedicated to prove or disprove the effectiveness of these progressive policies. By definition, a cash transfer is the transfer of money by the government to people who meet certain criteria in order to reduce poverty. They are divided into conditional cash transfers, which carry with them the expectation that beneficiaries will do something in return for the money, and unconditional cash transfers, which do not carry these expectations.

Most economists argue that poverty is best reduced by increasing economic growth. If infrastructure and institutions are not strong, governments should focus on providing them. Infrastructure, such as roads and ports, has been shown to facilitate economic growth. Cash transfers are seen by critics as having lower pay-off than public capital. (Fiszbein and Schady, 2009). They also provide the wrong incentives for recipients, since they discourage labor supply (Fiszbein and Schady, 2009).

Conversely, many of the advocates of cash transfers argue that even though investing in infrastructure, such as roads, ports, schools, and clinics, might increase economic growth, this economic investment will not necessarily help the poorest segments of the population, since they will not have access to these facilities. For example, (de Ferranti, Perry, Ferreira, and Walton, 2004; Scott, 2002) proved that the sizable electricity subsidies in Mexico and Nicaragua were regressive and did not help the lowest deciles of the population.

Cash transfers could potentially remedy this deficiency by providing incentives for marginalized populations to invest in education and experience to became a more specialized and skilled worker, in other words, invest in human capital, thereby acquiring tools that will help them reduce their poverty levels. This has been shown to be more effective at reducing poverty than other forms of public investment, since this method is targeted to the lower classes (Fiszbein and Schady, 2009). Insurance is another good example of the potential benefits of cash transfers: since the incomes of the poor are often volatile, paying for insurance at fixed premiums is unfeasible. Cash transfers can smooth out the fluctuations in income, allowing the poor to purchase insurance and raising household welfare (Fiszbein and Schady, 2009).

Since cash transfers are targeted to the poor, they can contribute to poverty reduction in ways direct public investment does not. Markets do not always work well in practice and market failure makes poor people less productive that they can be. Root causes of this are too costly to
correct; therefore hoping to make all sectors of society as productive as they can be redistribution might be the best bet. A classic example of this is a family that cannot invest in its children’s education or a business project. Therefore, the transfer should be equitable -making the person better off-, and efficient -allocating capital within the economy- (Fiszbein and Schady, 2009).

The indigenous class has been among the most marginalized in the Western Hemisphere (Van Cott, 2008). Because of this there have been rising tensions in recent years between the dominant groups of Spanish descendants and Mestizos, and the indigenous groups. A report by the CIA (NCI, 2004) refers to the Andean region as a delicate area; if the prevailing indigenous class is not integrated into political and economic decision-making there could be violent indigenous uprisings and ethnic tensions between indigenous groups, whites and mestizos. Not surprisingly, many specialists argue that the Andean region is the most unstable section of the Western Hemisphere (Burt and Mauceri, 2004).

Bolivia has received a lot of attention recently because of the many radical changes imposed by its government. Words such as ethno-populism (Madrid, 2008), ethnic politics (Weyland, 2001), and resource populism (Tsafos, 2007) are commonly associated with Bolivia’s radical indigenous movements and its controversial natural resource policies. Traditionally, the indigenous class has occupied the lowest strata of society, and the Spanish descendants, criollo, and mestizo groups have dominant the politics and economy of the country. With the 2005 election of President Evo Morales, who belongs to an indigenous minority group, the Aymara, and his subsequent reelection in 2009, the indigenous groups have experienced unprecedented upward mobility (Klein, 2003).

Furthermore, Bolivia nationalized its fossil fuel reserves via a referendum led by Evo Morales (Schroeder, 2007). With oil prices soaring, Morales was able to charge substantial rents to the corporations that extract gas and oil reserves, endowing the country with more money for public spending. Around seven to nine percent of the revenue from these rents is invested in re-distributive policies, or cash transfers. (Granados, 2009). These cash transfers are provided to the lowest decile of the population, a vast majority of which is indigenous or cholo (Klein, 2003; Madrid, 2008). This segment of society is where Evo Morales gets most of his support.

As a result of these policies, the dependent population has begun to feel represented at the national level, reducing the potential for social unrest and dissent. For this reason, the unconditional cash transfers of Bolivia deserve further examination.
Should the government be responsible for redistributive policies? According to Fiszbein and Schady (2009) if nothing else, the state has the moral obligation to provide for all of its citizens. It is an answer to inherited disadvantage, the situation where certain sectors in society that could be productive as they could be, because they are just born unable to fully exploit their potential.

One area of disagreement regarding cash transfers is whether or not recipients should be required to fulfill certain conditions in order to receive the money. Most of the cash transfers that have been implemented are conditional, and the government keeps track of recipients’ behavior. The main argument in favor of the use of conditions is that poor agents do not behave rationally in an informed way. This is because they are subject to incomplete information; they have a myopic view of their situation and need the government to guide them towards good decisions. (Fiszbein and Schady, 2009).

When information about good choices is an insufficient incentive for poor people to invest in their own human capital, cash transfers can help provide the right incentives that this information will not. For example, even good parents sometimes do not respond to information campaigns or social worker visits. In these cases, conditioned cash transfers can provide the right incentives for people (Fiszbein and Schady, 2009)

Picture 1: La Paz, Bolivia, the field site of the study.
Description of Cash Transfer Programs in Bolivia

*Renta Dignidad* is the oldest of the three cash transfer programs since it was first implemented by the government prior to Evo Morales in the 1990s. The original amount of the transfer was 1200 bolivianos each year. At the time of implementation, *Renta Dignidad* was called *Bono Solidario*, or “*Bonosol*.” Under Evo Morales, the name was changed to *Renta Dignidad* and the amount of the distribution was raised to 2500 bolivianos every year to elders aged 60 years and over without insurance (Yacimientos-Petroliferos-Fiscales-Bolivianos, 2008).

The second cash transfer program, *Juancito Pinto*, is designed to help children who attend public school between the 1st and the 8th grades. It consists of 200 Bolivianos every year. (Yacimientos-Petroliferos-Fiscales-Bolivianos, 2008). It is named after a young drummer who was killed in the War of the Pacific (1879-1884), where Bolivia lost its coastline to Chile. Today, Juancito Pinto is regarded as a national hero (Klein, 2003).

The most recent cash transfer is *Juana Azurduy*, which was implemented in 2009. The goal of *Juana Azurduy* is to provide support for pregnant women. Each eligible pregnant woman receives 1820 Bolivianos per year for two years. Eligibility is defined as any woman who is pregnant or who has given birth within the past two years (Yacimientos-Petroliferos-Fiscales-Bolivianos, 2008).

Juana Azurduy was a *mestizo* woman (half European, half indigenous) who became a revolutionary against the Spanish forces during the early 1800s. Eventually she became a
lieutenant in the Bolivian military (Klein, 2003).

Table 1: The three cash transfer programs

<table>
<thead>
<tr>
<th>Program Name</th>
<th>Recipient</th>
<th>Year Implemented</th>
<th>Monthly payout (Bs)</th>
<th>Monthly Payout (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renta Dignidad</td>
<td>Elderly</td>
<td>2005</td>
<td>200</td>
<td>$28.48</td>
</tr>
<tr>
<td>Juancito Pinto</td>
<td>Schoolchildren</td>
<td>2006</td>
<td>16</td>
<td>$2.28</td>
</tr>
<tr>
<td>Juana Azurduy</td>
<td>Pregnant women</td>
<td>2009</td>
<td>152</td>
<td>$21.64</td>
</tr>
</tbody>
</table>

![Figure 1: Brochure for the Juana Azurduy cash transfer program](image-url)
Materials and Methods

Literature on cash transfers suggests that the most effective way to analyze their success is using quantitative methods. Many household surveys have specific questions on consumption, school attendance, and investments that can be used as indicators of success or failure of a specific cash transfer policy. Also, the Bolivian household survey has some questions that are specific to two of the three cash transfer policies. However, only the oldest of the cash transfers has been in implementation long enough for it to have an impact on the variables covered by the household survey. The other two cash transfers are too recent. Also quantitative data fails to capture certain important ideas, depth-ness and discourse that many beneficiaries tell. To give a
specific example, the degree and enthusiasm to which people approve of the current government cannot be determined from the Bolivian household survey.

The first set of interviews was with cash transfer beneficiaries. A convenience method of sampling was used. Cash transfer recipients were asked a variety of questions to determine how they use the money that they receive. Of additional interest was whether or not receipt of the cash transfers helps alleviate the recipient’s financial problems. Respondents were also asked their opinions about the cash transfers and whether or not they thought that the policies were effective at reducing poverty. Information on ethnicity, educational attainment, and socioeconomic status was recorded in order to determine if these variables affect the results. The transcribed interviews were analyzed to discover patterns in the responses and identify certain key phrases that respondents might be using.

A second set of interviews asked policy analysts with extensive knowledge about Bolivia’s cash transfer situation, their views on these programs. However, these interviews were rather informal and lasted from one hour and a half to 20 minutes depending on the policy analysts’ knowledge of the topic. The people where selected by a snow ball sampling method. This method is used because it is easier to find policy analysts working in the same subfield if you rely on other policy analysts. Also the development community is very small at La Paz and the easiest is to rely on connections.

A common problem in social science research is determining socio-economic status in a scientific way. People generally will not consider themselves poor even if they are in the lowest percentiles of the population. This is not necessarily because they do not want to be stigmatized, but because they already know somebody else who is poorer than they are, and somebody else who is wealthier than they are. Consequently, they will always consider themselves middle class no matter how poor they are. For example, the author visited a house where a group of relatives lived. In that particular household three generations coexisted alongside people from other non-related families. They did not have running water and showered by sharing a bucket between seven or eight of them. Despite these obvious hardships, they still considered themselves to be middle class.

To really understand the socioeconomic status of each cash transfer recipient, the author asked questions regarding the recipients’ material possessions. For example, in Bolivia, having running water, electricity and a plumbing system is indicative of higher socio-economical status.
Other authors have used the presence of adobe walls, existence of a bathroom, and car ownership to determine socio-economic status (Martinez, 2004).

The author found that the most effective way of determining the ethnicity of many of the cash transfers recipients was not to ask them directly about their ethnicity but to infer it from the language that they spoke. The two main indigenous languages are Quechua and Aymara, and many people from the rural regions do not speak Spanish. Conversely, in the urban areas most of the people with indigenous background are bilingual, since they speak Spanish and Aymara or Quechua. In Bolivia, many of the people who are mestizo will not admit that they belong to both ethnic groups. This might be a consequence of the racism that persisted since colonial South America, in which the poorest class was the indigenous class. Therefore, admitting that one has an indigenous background is the equivalent of admitting one’s poverty and low social status.

The author is fluent in Spanish, which proved to be a significant advantage when asking questions since most of the interviewees in urban areas were native Spanish speakers. However, by Bolivian standards the author is relatively more paled-skinned than most of the cash transfers recipients, and the beneficiaries of the cash transfers sometimes viewed him with mistrust. In addition, some of the cash transfers recipients interviewed were monolingual Aymara speakers. The author does not speak Aymara. Therefore, in order to minimize the impact of race and to be able to communicate with all of the interviewees, the author employed a field assistant who lived in El Alto and was fluent in both Spanish and Aymara. His name was Juan Carlos Rodriguez, and he was especially good at locating cash transfers recipients and the places where cash transfers were being distributed. Juan Carlos also served as a cultural liaison between the author, an obvious foreigner, and the interview subjects. Other authors have also mitigated cultural differences by employing a field assistant (Hertel, Singer, and Van Cott, 2009).

The field site in Bolivia included the urban areas of El Alto, which is located approximately 20 minutes from La Paz (see Picture 3). El Alto is an urban area that has recently been upgraded to a city. It is relatively poor and its citizens have led many of the protests against past neo-liberal governments (Perreault, 2006). Traditionally, El Alto has served as a crossroads between many different communities and on Thursdays and Sundays there is large market with vegetables, grains, meat, handcrafts, and cooked foods from all over the country (Picture 3). It is also the center of Aymara culture. The Aymara were the dominant group occupying the area around Lake Titicaca as well as the northern part of Bolivia prior to the rise of the Incas.
Unfortunately, El Alto is also an area with a high level of crime, and some of its residents practice lynching (see Picture 4).

Picture 2: Picture of El Alto Sunday market

Picture 3: Lynching “scarecrow” in El Alto. Since policemen are not very efficient in El Alto, vigilante justice is often used against thieves. The sign around the scarecrow’s neck says that “Burglars will be hanged.”
Each of the cash transfer beneficiaries was located in a different way. In order to interview beneficiaries of *Juancito Pinto*, the author attended a school parade where most of the children were recipients of the cash transfer. However, mostly the parents of the children were interviewed. In order to find recipients of *Renta Dignidad*, the author visited banks that handed out the cash transfer in the early mornings when there were many elders waiting in line for it. The author also visited several medical facilities where recipients of *Juana Azurduy* were receiving care.

A total of 38 cash transfer recipients were interviewed in El Alto. The interviews took place from July 23\textsuperscript{rd} to August 4\textsuperscript{th}, 2009. A tape recorder was used to copy the information and later transcribed with relevant paragraphs and ideas coded. Most of the interviews were in Spanish, but three were in Aymara, the native language of the greater La Paz area and Lake Titicaca. Aymara is spoken in 3 countries in the world by one million people.
Figure 5: Map of the Aymara world

Results

The following is a description of the results, which includes the occupations of the beneficiaries, the way the cash transfer is used, and other responses based on the specifics and the opinion of the beneficiaries.

Characteristics of the Subjects

The ages of the 38 recipients ranged from 13 years old to 80 years old, and most of the recipients lived in the greater La Paz area, with the exception of 1 who lived by Lake Titicaca. At least 15 of the cash transfer recipients worked as house wives, 3 were students, 3 were street salesmen and 2 were unemployed (see fig X).

Table 2: Occupation of subjects in the sample

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housewife</td>
<td>15</td>
</tr>
<tr>
<td>Informal Laborer</td>
<td>7</td>
</tr>
<tr>
<td>Student</td>
<td>3</td>
</tr>
<tr>
<td>Unemployed</td>
<td>3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3</td>
</tr>
<tr>
<td>Professional</td>
<td>2</td>
</tr>
<tr>
<td>Retired</td>
<td>1</td>
</tr>
</tbody>
</table>

Of the 38 subjects interviewed, 15 were receiving or about to receive the cash transfer for pregnant women (Juana Azurduy), 15 were receiving the cash transfer for the elderly (Renta Dignidad), and 8 were receiving the cash transfer for school children (Juancito Pinto).
**How the cash transfers were spent**

Most of the beneficiaries used the cash transfers to purchase food. Of beneficiaries who admitted that they purchase food, 7 mentioned a high protein food source such as CERALAC or milk, or a vitamin-rich food source such as fresh vegetables. Most poor people in the Andean region base their diets on inexpensive carbohydrates such as rice, pasta and potatoes. Therefore, protein, fresh vegetables and fruits are not as common and more expensive since they have to be shipped from the tropical lowlands. Buying these types of goods may signify improved nutrition.

**Table 3: How the cash transfers were spent**

<table>
<thead>
<tr>
<th>Type of Expenditure</th>
<th>Number of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>17</td>
</tr>
<tr>
<td>Children</td>
<td>16</td>
</tr>
<tr>
<td>Savings</td>
<td>2</td>
</tr>
<tr>
<td>Clothing</td>
<td>7</td>
</tr>
<tr>
<td>Education</td>
<td>6</td>
</tr>
<tr>
<td>Home Improvements</td>
<td>2</td>
</tr>
<tr>
<td>Taxes</td>
<td>1</td>
</tr>
<tr>
<td>Bills</td>
<td>1</td>
</tr>
<tr>
<td>Recreation</td>
<td>1</td>
</tr>
<tr>
<td>Rent</td>
<td>1</td>
</tr>
<tr>
<td>Misc</td>
<td>1</td>
</tr>
</tbody>
</table>

**Eligibility**

Subjects were asked if they knew people who were eligible for the cash transfers but did not receive them. Of the 24 people who responded to this question 15 of them confessed that they knew somebody who should be getting the cash transfer but was not getting it for some reason. Subjects were also asked if they knew people who did not deserve the cash transfer (in terms of eligibility) but still received it. Of the beneficiaries who responded, 9 admitted that they knew somebody who would get the cash transfer even though he or she was ineligible. Two
respondents admitted that they knew someone who was ineligible for the transfers but tried to apply anyway; they did not receive the transfers because the system prevented them. This suggests that even in a chaotic country like Bolivia the system tends to work well and effectively block people who are ineligible from receiving the cash transfers. Citizens who are insured will not be able to get the cash transfers since their names are already enlisted in the system; only the uninsured are eligible.

Abuse of the Program

Of the 35 subjects interviewed, 20 admitted they knew people who misspent the cash transfers. Misspending the funds, means that the money was not spent in a productive way, usually by drinking, or that it was taken away without consent by another relative. Even though handed out un-conditionally, the cash transfers are intended to be spent in a way that will help the beneficiaries.

Required Documents

Eight people claimed that they only needed an identification card in order to receive the cash transfer. Only one answered that only a birth certificate was needed. Interestingly, there were several other types of documents cited, including a hospital inscription, a map of the house, a utilities receipt, or other official document. This is evidence of the lack of organization by the administrative offices in charge of handing out the cash transfers.

Which cash transfers are most effective?

From the beneficiaries interviewed, 11 said that all three cash transfers worked equally well. Ten others said that the cash transfer for the elderly, Renta Dignidad, was the best. This could be because Renta Dignidad has been instated for the longest therefore, most people already have seen the positive impact of it, while the others cash transfers have not really been around long enough to see the positive results.
Are the cash transfers clientelistic?

When asked if the cash transfers where clientelistic or handed out with the intentions of winning the elections, 8 of the beneficiaries admitted that they thought the cash transfers were being used in this way. This is especially interesting since the beneficiaries, in general, favored the current government (since the field site is notoriously pro MAS and Evo Morales), and still they had reservations about the intentions of the government.

Who funds the cash transfer programs?

When asked about the source of the funding for the cash transfers, 14 mentioned natural gas or alluded to some other natural resource. Eleven mentioned taxes. The cash transfers are funded by the rent charged to the transnational companies that take out fossil fuel. The use of this rent is quite controversial since it account for a sizable section of the economy.

Should there be more cash transfers?

Of the 29 people who responded to this question, 12 did not believe that there should be more cash transfers. Of those who did want more cash transfers, most mentioned that future cash transfers should be targeted towards: 1) sick and disabled people, 2) unemployed professionals, 3) small scale farmers and 4) the homeless.

Should the amount of the distributions be increased?

Of the 35 people who responded to this question, 28 said that they needed more money. Of these, 6 said that they would like 50 bolivianos more and 2 said that they would like 100 bolivianos more. This suggests that the beneficiaries agree with the amount of money that is being handed out to them, since the amount that they are aspiring to have is only slightly higher.
However it could also be that in general, people want “a little more than what they have”.

**Human Capital**

It is also evident how there is an investment in human capital by many of the beneficiaries. The following are responses from some of the recipients of Juana Azurduy, the cash transfer for pregnant women, in which they see the money as a way of investing in goods for their children or savings for the future.

“To buy something for my daughter, or save it in the bank for later when she will be ‘grandesita’ bigger, when she needs, I am going to buy her what she will need like clothes and food.”

“I got this money when I was pregnant and with it I eat better, for beverages, for diapers for her things.”

Here the subject is comparing the two cash transfers. Since Renta Dignidad represents significantly more money, she claims it can be used for investing in productive goods, instead of being spent immediately. This is similar to what was found by (Martinez, 2004), where the money invested was used by the recipients in long term re-investments that would eventually duplicate or increase the amount invested. This is how the investment is directed towards human capital, where the goods that are being used result in the generation of more wealth.

“The elders’ cash transfer, Renta Dignidad, at least is money that you collect to invest in making a juice, making gelatins, to do something with your capital, but this (other cash transfers for pregnant ladies) once every two months it is not enough, buying a small bottle (of alcohol) it is gone. There are intelligent people that collect this small amount an, they invest it, at least they do not loose it, and they are going to use part of the capital that they have, monthly.”

Poverty is rampant in Bolivia and it is interesting how it is incorporated into the local discourse. The levels of poverty are evident after examining what this subject said regarding the condition of someone he knew in the field, and how the cash transfers have been a big help to lessen the burden of lack of resources. It is also evident how at least to this individual has seen the big success of the cash transfer in the field.
“For example my brothers in the field need, do not have water they do not have light (electricity), they do not have a good diet either, which is necessary. Now there is for the drivers for the bricklayers, for those who do are not insured, here they have, also there is health insurance, we have.”

**Investment in Human Capital**

This particular individual did not have any kind of insurance before he was eligible for *Renta Dignidad*. With *Renta Dignidad*, he was able to compete for health insurance. This has made him even more supportive of Evo Morales and his government. Here the investment in human capital is very obvious since he concludes that with the cash transfer he is able to invest in his own health. He also ties the cash transfers to the president and notes that eventually he will vote for him.

“I never had health insurance, never, right now, I am insured, I have that insurance of health, it hurts and I go to the doctor, they take care of me. I thank for the senor president of Bolivia, senor, Evo Morales we thank you, with all our Heart, from the third age we are thankful, with all our Heart”.

**Investment in times of shortage**

This older cash transfer beneficiary describes how the cash transfers helped him during times of low agricultural productivity, when his income from growing potatoes was not enough. This has transformed his view of the government into a very positive one, thanks to these redistributive policies. Here again, the cash transfers are seen as tools that local farmers use to invest in agriculture in the long run.

“There are people who have their income, sufficient to live on, we do not. Of course, it can help, we do not have insurance, for example I was in Yungas almost 25 years, then the production fails there, also when I was born in the ‘altiplano-high plateau’, also when one we are working, we make growing potatoes, and when the frost arrives, no longer is there going to be anything, then, that way, for example, it helps the poor, for that reason to the present government I say, thanks, this is helping the elders ‘viejitos’”.
Drinking as a way of misspending

Most of the people who mentioned some kind of misspending did not admit that they themselves had misspent the money (questions were phrased to avoid this problem). Rather, they identified a neighbor, or somebody else that they knew. Many mentioned the media as their main source of information regarding any misspending. Many of the people who mentioned some sort of misspending admitted that it involved alcoholism.

“A father I know, actually a neighbor, is receiving the Juancito Pinto cash transfer, and he spent it drinking, all of the cash transfer, his kid received no school supplies.”

Here is another example of misspending. In this particular case, the money that is taken away from the elder is used for paying debts or spent on food. This is very common in communities where a network of family members are all aware of what every member of the family does, and therefore this way of misspending are common.

“Mainly, the fathers and sometimes the kids of the elders take the money from the fathers, and they do not see a thing, and they work out a way to take it away, mainly for lunch, or to pay debts, so many things I think they are.”

Again, sometimes the cash transfer beneficiaries come up with ideas of how to prevent this types of misspendings or abuse by other relatives. This recipient, who was cashing her check from the Juana Azurduy program, suggested that there should be a specific law to punish the younger generation who take away money from the elders.

“There has to be a policy against the sons to punish them for taking money (from the cash transfer) away from their elders, and same for the husbands that take away more from JA. They take it away from women, since for 800 BS to receive from JP, the guy goes and get the money, and he goes off drinking and the mom and his kids he has killed all of them.”

Gender-specific distribution
Several female beneficiaries blamed males for misspending, especially when the abuse involved alcohol. There is some evidence that females are better at financial management than males since they tend to invest in food and children’s education and health (Stecklov, Winters, Todd and Regalia, 2006). For example some disgruntled wives blamed their husbands for taking away the money, and proposed a policy where instead of cash, the beneficiaries would receive the specific food items to avoid abuse.

“When males cash the cash transfers the only thing they do is to drink and they forget about the baby, and if the man does find out [about the cash transfer] they take the money from us, and they go away and drink it, and is necessary to give good food [to babies] so that they do not loose nutrients, it is not enough, is necessary to pay the electricity, is necessary to pay the rent, the responsibility mainly falls on the woman, the man, the man is not worried if the ‘guaga’ [baby] eat or does not eat, the woman must learn how to work and survive in the life, it is the sad reality that we live. Mainly the spouses and husbands, they are keeping track of where will the wife going to take out the money, and of the small amount [little] that they make, what they do it is to waste it on booze and parties. The ones affected are the woman and kid. If they [males] do not give us the money, at least they can provide us with food and staples, such as, milk, butter, as they gave to those in maternity, a ‘subsidy’. We would agree with that. There should be a way to give us milk and to not take away the money from us, so that they give the money to us, and do not take advantage of us.”

**Logistical problems and corruption**

There was also some anecdotal evidence that the people who are in charge of distributing the cash transfers may also be taking money and giving less and less to the beneficiaries. This is evidence of corruption at the lower levels of administration. This evidence supports the idea that the less bureaucratic steps, the better, since there is less chance for bureaucratic mismanagement.

“Now we have 150 Bolivianos, where go the other 100 Bolivianos? It seems to me that they put the other 100 Bolivianos in their pockets, in spite of [the bureaucrats] having a job and a salary; you think that we don’t work? We are also loosing this money, do not think this is help.”

Many people such as these two subjects complain about the logistical problems of cashing their cash transfers. One of them claims that just getting to the place where she can
receive her cash transfer costs more than the transfer itself. This demonstrates how little people own that even taking public transportation can present a big economic challenge.

“No, because we come here and they make us come back again, and we spend all our money in the bus-fare.”

Another subject complained that the system is not organized well enough. Therefore, much time and money are spent on finding a way to get the money. Bureaucratic steps are burdensome for people who have little since spending time and money getting all the documents necessary for an administrative process and be economically challenging.

“Yes, but they hire young people that can not organize the ladies [beneficiaries], the lady is enlisted in the system and does not appear, and in the system it does not appear, then it rejects it, from the bank, and she gets enlisted again, and wastes time”

Another subject claimed that the indigenous people of the countryside are not familiar with money, therefore the cash transfers have had a positive effect on incorporating isolated indigenous communities into the national economy. This is an extremely interesting remark because currency then can be seen as a way of alienating rural populations of indigenous minorities. Cash transfers therefore, according to this particular beneficiary, integrate them, by giving them purchasing power.

“Yes, especially seeing indigenous people of the countryside, in the north of La Paz, San Buena Adventura, Tumupasi Inixiamas, people who does not know money, then I am in agreement with the cash transfer, that they continue sending money and that they send professors for encouragement, the people who know Bolivian money, then in that sense I agree that we continue doing cash transfers, to the Renta Dignidad, and that it continues to increase.”

According to this schoolteacher, in order to buy people’s votes during elections, the officials in charge of the elections would bring small bribes such as buckets, sugar, and pasta. These particular teachers portrayed the president prior to Evo Morales, Goni, as “selling-out” to corporate interests, and therefore he was not really Bolivian, but a “gringo”. Also, the fact that Goni had a foreign accent, and that he spent several years studying in the United States, has
exacerbated his status as an outsider and enemy of Bolivian interests.

“If a ‘gringo’, such as Gonzalo Sanchez de Lozada, is president then he is not watching out for the country, but if an indigenous person (who should not be called indigenous), governs our country, and is part of our population, this is not using any secret agenda, it is basically giving back the money of the people, to the people. Here the politicians, old, corrupt, because they can use this like a strategy, and for example even during the elections, they bring ‘little buckets’, ‘little cleaners’, sugar, and pasta to buy the consciousness of the people. That is cheating.”

**Pregnancy**

Do some women get pregnant just so that they can receive the cash transfer? This particular type of abuse as a potential side effect of cash transfers has already been tested. According to (Stecklov, et al., 2006), in both Mexico and Nicaragua there was no correlation between the cash transfers and the birth rates of the eligible population. However, in Honduras it did have a small effect on pregnancy. Based on the results of the author’s interviews it is hard to determine whether or not this is a significant problem in Bolivia. However, four respondents did admit that they knew of women who had attempted this.

“The government is promoting that parents get pregnant [through cash transfers] to crowd those places that are empty, however, the foreign countries are exporting our things, and they are taking it [our things]. Why? Because that place is empty, it is necessary to populate it, then, I believe that he [Evo] is doing this, is going to put people I believe that know chemistry, at the Salar de Uyuni, so they process the lithium, and there they are going to make batteries, we needed people, we must fill it, we are very few for that is these incentive given by the government.”

This point of view is common among the traditional Latin American left. Eduardo Galeano, a well-known Latin American author wrote in his famous book *The Open Veins of Latin America* about Dependency Theory. Here is one of the paragraphs that is reminiscent of this idea of

“People make love with enthusiasm and without precautions. And people are reproducing. There are now more people at the side of the road, without out
work in the countryside, where the landowners thrive, without work in the city, where machines thrive: the system pukes people. North American missions massively sterilize women, and grow pills [pregnancy pills], diaphragms, spirals, condoms, but kids grow stubbornly, and Latin-American kids keep being born, reinvesting their natural right to get a place under the sun in these great lands that could give everybody what they need but deny it to most” (Galeano, 1971).

This view is in line with the idea that the Western industrialized nations conspire to dominate the developing world by using birth control. There is a belief that the cash transfers stimulate pregnancy rates since the more children that eligible women have, the more cash transfers they can collect. Here one of the interviewees claims that even though there is a belief that the cash transfers are used as incentives for people to get pregnant, there are still so many costs associated with having a baby that the money will not be enough even with the cash transfer.

“There are some cases where they become pregnant to claim the CT, but it does not help them in anyway, since it’s more of the cost to take the baby, the milk and the clothes of the baby, and it is not enough money. I do not believe that they get pregnant to receive, I know 3 cases in three provinces [in Omasuyo, Pacajes and Quime].”

**Indolence**

Regardless of whether cash transfers create dependency or not, the people interviewed have many opposing views even within such a poor city as El Alto. There are studies contemplating the possibility of unemployment as a negative effect of the cash transfers, but according to Fiszbein and Schady (2009) the effect is minimal. Some claimed the amount given was too little to really create any form of dependency.

“No, it is not enough, 100 BS only lasts for a day at the market [purchasing foods], this money only lasts us moms a week. Minimum wage is 250 BS, it is not enough, a milk container is 150 BS, that is how the cash transfer is spent, there I don’t believe it is true [dependency].”

“No, it like requesting a pittance and that is encouraging people not to work, and to getting used to, this cash transfers creates dependency, there is a hook-up so that some-one that has his kids can receive the cash transfer, and when the kid
Eligibility

There are many who could potentially be getting in the cash transfers but did not have the appropriate documentation. In many cases in Bolivia, having all the specific information in order to receive the transfers can prove to be burdensome. For example, one of the interviewees was eligible to receive her cash transfer but did not have the appropriate documentation since she was erroneously registered as deceased. She did not have the resources or time to complete all of the bureaucratic steps required to change her status. The following are other examples of beneficiaries who were unable to provide sufficient paperwork:

“I know people who regrettably, do not have documentation to receive the cash transfer, and they have not even enlisted their babies in the Registry due to lack of money, they have not been able to get a birth certificate”

“Many, those that live in the street, have their babies and they do not receive the cash transfer, because they do not attend a health center, do not have the papers to receive it, so for them is very difficult, they live for example asking for alms and they cannot afford to apply for that”

Others blamed the lack of information about the cash transfers, as many did not know what they were or whether or not they were eligible to receive them. There is an information campaign to inform beneficiaries about the cash transfer program but there is still many people who where not entirely sure of how the program worked.

“That cash transfer is very complex, does not give appropriate knowledge to the people to be able to receive it, it is confusing. You go around and around, to other places and they only confuse you more, the attentiveness also is not very good from end of the people in charge of the cash transfer.”

Finally, one of the interviewees stated that residency status could be a problem: “I have a friend that is from Apolobamba that cannot receive the cash transfer since he does not have ‘residence’.”
**Should the amount of the cash transfers be increased?**

Most people were satisfied with the amount of money that was handed out to them. For example this woman mentions how the government is responsible for making sure women are satisfied and also their offspring: “With what we have I think it is enough, very few governments have remembered mothers and kids.”

This is extremely interesting since people receive very little and live on also very little. Most of the beneficiaries interviewed where poor and still they felt they had enough. This can be attributed to the strong sense of community and family networks present in Latin America. Most people who are poor will always have a friend or relative who will take care of them in times of need and even in moments of loss or bankruptcy there is a network of people to count on.

**Should there be more cash transfers?**

When asked what other type of cash transfers there should be, this woman mentioned that professionals struggle to get employment right after they graduate. Therefore, there is a need for a cash transfer that helps them during the time that they are establishing themselves in a career.

“Yes, for the professionals that just finished studying, I have friends that have studied administration, economy, tourism, all of that and now work as drivers. They come from the Central University of San Andres and the Catholic University”

**Funding source**

In some cases, people believed that the cash transfers were funded by lowering the salaries of government employees. That is the discourse that is common among the cash transfer beneficiaries, that the government encourages, the idea that the new government is not like the other governments. Now they are watching out for the poor people and they do this: “The government has lowered their salaries to use this money to support the kids and the pregnant women.”
**Use of the fossil fuel rents**

When asked about how the fossil fuel rents were being used, the subjects came up with many creative answers. Primarily, they cited the fact that the new government is not allowing any more abuse of natural resources by foreign countries. Now, according to them, the government is giving this money back to the people. No longer is the fossil fuel rent wasted through corruption or selling out the national patrimony - now the money is just being used to fund social programs such as the cash transfers.

This view is also aligned with many of the Marxist ideas of the 60s and 70s regarding natural resources as the future for Latin America. According to Galeano (1971) foreign companies have exploited Latin America, taking advantage of its lack of infrastructure to process its natural resource wealth. Dependency theory also follows this reasoning. Dependency theory was first developed by Presbisch (1959), where he argued that the developing countries could not develop because developed ones exploited them as sources of raw materials. These raw materials would be later processed and assembled and sold for many times as much making a much larger profit. The developing countries could not do this since they lacked the “know how” and the infrastructure. Here is how many of these views are part of the popular discourse.

“Everything got taken away form us, the Spanish took everything and they left us poor, we are standing on our wealth and are sleeping in our wealth or pretending to be sleeping. With the government of Evo we are opening our eyes. Little by little he is improving the country. Money that has gone to the United States and to other foreign countries, and they [other countries] have not left anything behind. Our coffers are empty, we are satisfied with this government, because our taxes are reducing are external debt, each ‘guagua’ baby is born indebted thousands of dollars.”

“The cash transfers are funded with the nationalization of fossil fuels. Before, the governments took our wealth [natural resources] and there was not any more left, now this government has nationalized. Poor people are very thankful to the government of Evo Morales.”
Whose idea was to implement the cash transfers?

Regarding whose idea it was to implement cash transfers, the most common response was that is was the current government’s idea. A lot of the reasons for this come from the fact that they believe that many government officials have been poor people themselves and understand the needs of the lower classes. However, cash transfers where first implemented several decades ago in Mexico and Brazil, and there where not really the current government’s idea. Furthermore, the first president to establish the first cash transfer program in Bolivia was Gonzalo Sanchez de Lozada, who favored neoliberal policies.

“The idea is of the government, since the government has suffered, the government has not studied, I believe that he raised sheep, and now see the comeback it has given the professionals. The government has done what it is doing now, without having experience; he is coming ahead with good ideas”

“A meeting (was held) that has seen the poverty and the kids, it has gone to the health centers where they have seen that kids die together with their mothers”

Discussion

The driving force behind cash transfer policies is the idea that they target a certain underprivileged section of society. To provide an analogy: when you exercise at the gym, and you do a certain exercise for specific muscle groups such as arms or legs, you are specifically targeting these muscles. When you work out your whole body by swimming, certain parts of your body, such as your hamstrings or forearms, barely receive any benefits from the exercise. The same thing happens with cash transfers: they provide a targeted fix for a certain section of society that otherwise would not benefit from a large-scale investment, such as ports, dams, or roads. This is following the argument of some authors that in developing countries standardized economic development does not work for the poorest of the poor.

Evidence from the literature and this research suggests that cash transfers reduce poverty. Therefore, the question is not whether they are effective at achieving this goal, but rather if they are sustainable and superior to other forms of public spending. One might argue that investing in infrastructure and institutions is more long-term oriented and sustainable than just handing out
money to people, but Bolivia is especially prone to corruption therefore these investments have traditionally failed (Laserna, 2009). Furthermore, with such a large informal economy, these cash transfers take into account the traditional way of life of locals.

**Analysis of each cash transfer in general**

According to those interviewed, the cash transfer for the elderly, *Renta Dignidad*, was considered the most effective and useful cash transfer. The cash transfer for pregnant women, *Juana Azurduy*, which was instated in April 2009, is quite controversial and is the most contested of the three. This is not only because of its proximity to the elections in November 2009 but also because there have been many problems with the computerized system and constant changes in the amount delivered. It seemed as well that the people, even those who benefited from *Juana Azurduy*, were less happy with it than with the other programs.

The cash transfer for schoolchildren, *Juancito Pinto*, was also judged to be effective, since the cash transfer recipients were spending the funds primarily on school supplies. However there were still several ways for the undeserving to challenge the system. One of these was to keep the children under the “enrolled” status when they were not actually enrolled, in order to obtain the funds without sending the kid to school. This was done in compliance with the teacher or director, who would often receive a bribe. Also, many times when a student left one educational facility for another one, he would still be “enrolled” at the original school in order to receive the cash transfer.

**Interviews with Policy Analysts**

Several economists and policy analysts were interviewed. Most of them held doctoral degrees in economics or a related field from European or US institutions. In general, their opinions of the cash transfers were not very favorable. They portrayed these policies as a waste of resources since they were not coming out of a trust fund, and the revenue generated to fund them was not sustainable since the natural gas reserves will eventually dry up. Furthermore, most of them agreed that instead of applying “temporary band aids” to the problem of poverty, the Bolivian government should instead invest in long term infrastructure projects such as roads,
hospitals, and schools.

Some of the fossil fuels specialists, such as Hugo de Granados, attribute the growth of cash transfer programs to the increase in the price of oil. According to him, this has provided the government with the means of enacting redistribution policies; if fuel prices were lower, there would be insufficient revenue to fund the programs:

“Bonosol has been doubled... why? Because, income of raw materials, the case of oil, in 2008, has reached a price of 147 dollars per gallon, this has meant impressive prices from the natural gas that we exported, which has translated into an increase of cash transfers” (Granados, 2009)

Hugo de Granados opposes these cash transfer policies because he argues that the fossil fuel surplus should be used to develop institutions and infrastructure, which will provide long-term benefits and a greater rate of return on the investment. He views cash transfers as clientelistic and unsustainable. Furthermore, he said that there should be a way to invest the fossil fuel rent in the most productive sections of the economy where the majority of the population is located instead of distributing cash directly to the poor. In Bolivia, the productive sectors are informal business and agriculture. Supporting these areas could boost economic growth, thereby helping a majority of citizens rather than a minority.

Roberto Laserna, a neoliberal economist who runs a think tank that examines Bolivia’s developmental policies, opposes many of the government’s policies but changed his mind about the cash transfers. After seeing many of the results of the transfers, he was convinced that they are effective at increasing human development. In a country such as Bolivia, where corruption is rampant, measures such as direct money handouts will be more efficient at expanding the economic possibilities of the lower classes (Laserna, 2009). According to Laserna, public spending is not as effective at decreasing poverty because of widespread corruption and mismanagement. Institutional monitoring of this money will not help since the rate of institutional misspending is so high. He argues that direct handouts will cut out the middleman and will provide people with enough income to invest in productive enterprises, in many cases of an informal economic nature.
“When you create a certain type of barrier, or conditions, certain type of power structures, that could take advantage of the citizen. Which are bureaucratic, corrupt, if I must have 7 vaccine shots, to obtain the cash transfers, I could buy seven vaccination certificates, instead of having the 7 shots. If I do not want to go, because I am tired, or it is too far, then I will go to a bureaucrat that sells vaccination certificates, or propose to him to give me cash transfer and give him the remaining 40 percent as a bribe” (Laserna, 2009).

Laserna also argues that giving a bureaucrat the power to decide if a person is or is not deserving of the money opens up opportunities for corruption. His reasoning behind this is that corruption is almost inevitable in a country such as Bolivia, therefore it would be better to invest in ways of eliminating bureaucratic steps, instead of corruption itself. Conditions on cash transfers will create more opportunities for corruption.

“When giving cash transfers without conditions, there is a game of social engineering that is dangerous and it requires a good institutional framework or you will create opportunities for corruption times 100, I know that in the present case of Bolivia the Renta Dignidad is going 100 percent to the elders” (Laserna, 2009)

Here are three diagrams showing different ways in which the rent of the fossil fuels is used to invest in either public spending on conditional or unconditional cash transfers. The more bureaucratic steps the better since there is less money lost due to corruption.
Figure 6: Hypothetical effect of corruption on public spending
Potential study to test for corruption of conditional cash transfers

The next step is to understand if the process of un-conditioning cash transfers is a favorable one or not. One could use the cash transfers in Bolivia as an experiment, comparing them to conditional cash transfers in other countries to see which programs suffer the least from corruption. Also, by looking carefully at the corruption levels of the conditional cash transfers in Mexico and Brazil, one could measure the amount of misspending under situations where cash transfers are conditional. The Mexican and Brazilian programs have been very successful and have motivated many other developing countries to continue enacting this type of redistributive
Many of the policy analysts interviewed cited the lack of institutions in Bolivia as one of the main reasons why conditional cash transfers should not be implemented. Institutions normally monitor the fulfillment of conditions by cash transfer recipients. Countries where conditional cash transfers have been relatively successful, such as Brazil and Mexico, already have a strong institutional framework. In these countries, conditional cash transfer policies can be implemented without investing in more institutions.

The lack of institutions is another independent variable in a model to measure the effectiveness of cash transfers policies. Usually the government relies on some institutions for the advertisement and delivery of cash transfer policies. Hence, it would be interesting to determine the degree to which institutions affect cash transfer policies.

Cost-benefit analysis of conditional versus non-conditional cash transfers
From a global economic perspective, Bolivia has enjoyed a position of some influence because of its fossil fuel reserves (Klein, 2003). The country has the second largest natural gas deposits in Latin America, and exports these fossil fuels to many countries, including Brazil and Spain. In addition, lithium was recently discovered in the southwest of the country, near the Uyuni salt-flats. As lithium is being considered as a more sustainable source of energy for car batteries, lithium reserves will only gain in importance (Romero, 2009).

During the 1960s and 1970s many developing countries subscribed to dependency theory, which argued that the extraction of natural resources by foreign companies has crippled the economies of developing countries and deprived their citizens of wealth. As a result, leftist governments have gained power to challenge the status quo. Current socialist governments are nationalizing resources and creating social programs in order to redistribute resources. Cash transfers, therefore, are an integral part of the national political economy, since it is by redistributing the wealth from natural resources that the government promotes these types of statist policies. This is aligned with the Marxist view of Galeano, (1971) and Presbisch (1959).

**Fig 9: Cost-benefit analysis of conditional versus unconditional cash transfers**

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<th>Costs</th>
<th>Benefits</th>
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<td>• Investment required to impose conditions on cash transfers and make sure the money is being used in the right way</td>
<td>• Policies more easy to justify, since there is proof that the money is going in the right direction</td>
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<tr>
<td>• Waste or abuse of funds through corruption</td>
<td>• Less waste or abuse of funds by recipients (on alcohol, for example)</td>
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<td></td>
<td>• Better targeting towards the needs of recipients</td>
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“Resource populism” is a dominant feature of today’s energy market, since politicians around the globe are attacking oil companies with rhetoric. The extraction and sale of oil is a controversial issue that is used by populist governments to obtain the approval of the lower classes. Tsafos (2007) claimed, “Oil companies are an easy target because they are big. Populist politicians are exploiting an instinctive skepticism towards big business insofar as populism consists of politicians championing the cause of ordinary citizens against special interests, oil companies are good symbols because they are both big and wealthy”.

However several authors, including Sachs and Warner (1995) have argued that this new neo-Marxist approach is doomed to failure. Strong economies today revolve around human capital, technology and services. The main concern for developing nations such as Bolivia is how to invest the natural resource wealth in infrastructure, technology and education that are critical to building capital. With the growth of the service sector, natural resources make up even less of the world economy today. For a country such as Bolivia to place all of its expectations on natural resources is like putting all of one’s eggs in the proverbial single basket.

Bolivia’s future economic strategy should consist of a combination of different investments, including investment in human capital. Unconditional cash transfers are part of the solution. The cash transfers for school children and pregnant women help build human capital; even the Bolivian transfers for the elderly have been proven to be an indirect investment in younger generations since the elders use it to help their grandchildren pay their student bills (Skinner, 2007). Public education in Bolivia is not the best; many elite students go abroad to get their university degrees or study in many of Bolivia’s private institutions. Investing in better public universities is also necessary in order to develop human capital.

Bolivia’s informal economy is the biggest in Latin America, comprising approximately 65 percent of the total gross domestic product (Klein, 2003). The country already has undergone agrarian redistributive reform in the early 50s (Klein, 2003). Given these two significant factors, a sizable sector of the population owns land and uses this land to run their own business, which usually include agriculture, cattle, or handcrafts all a part of the informal sector. Therefore, the implementation of programs that include these realities is imperative. Unconditional cash transfers encourage re-investment in the informal sector. This helps beneficiaries improve their land assets, or their small business. Evidence suggests that their behavior, when handed money, usually ends up being productive (Martinez, 2004).
Yet change in Bolivia will have to be incremental. The country still preserves many of the traditions, lifestyles and political cultures that developed prior to the Spanish conquest (Klein, 2003). Development can occur, provided that there is a good understanding of what Bolivia has stood for historically. Imposing a Western style of development in Bolivia without taking into consideration its culture and values will result in failure.

**Morales as a paternalistic figure**

The biography of Evo Morales is quite complex. He came from a very poor family of shepherds in the high plateau of Bolivia. In order to pursue greater opportunities, Morales migrated to the Chapare region, which is famous for its cultivation of coca leaves. There he stood out as one of the main leaders of the migrant workers and was well known for his negotiation skills and his hard and determined leadership.

During 2005 he won the presidential election and became the first indigenous leader in Bolivia. He represented a grassroots party, the MAS (Movimiento al Socialismo), which drew its support primarily from the indigenous peasant class and some left-wing intellectuals. It is important to note that Bolivia has had very few periods of political stability and during its 200 years as a republic, very few presidents have been able to stay in power their entire terms.

In many ways, Morales’ policies resemble those of Hugo Chavez, the president of Venezuela and Rafael Correa, the president of Ecuador. All three of them encourage the growth of government and their administrations have been classified as populist or socialist. Some of Morales’ more radical reforms include: re-writing the Bolivian constitution, nationalizing natural gas resources, and declaring Bolivia as a plural-national state (an allusion to the fifty or more indigenous groups that reside in Bolivia).

Morales’ rhetoric regarding the cash transfers stresses that the government is simply returning the natural gas revenue back to the people. This is done by taxing foreign companies that extract fossil fuels. Then he promotes the cash transfers as redistributive policies. “Evo cumple” (“Evo delivers”) is a very common graffiti throughout La Paz. Evo does deliver: he delivers cash to the poor.

Many beneficiaries look up to Morales as one of their own because of his impoverished
indigenous background. They derive hope from the cash transfers, because through them they might rise through the ranks of society (as Morales did). The cash transfer policies are delivered by a popular paternalistic figure that is out there to save poor people from the exploitation of corrupt politicians and greedy transnational corporations. This rhetoric is crucial to the continued support of Morales’ government and policies.

**Clientelism**

During the interviews in La Paz it became clear that many of the beneficiaries favored Morales just because they received the cash transfers, and evidence from the literature and local media confirms this (Razon, 2009). The saying “Evo nos esta dando una ayudita” (“Evo is giving us a little help”) is commonly heard throughout the poor suburbs of La Paz. However, there was a noticeable trend among the interview subjects: the more established and educated they were, the more skeptical their attitudes towards the cash transfer policies (see table X).

Some policy analysts have argued that each of the cash transfers programs have been implemented right before a presidential election or a referendum. If this is true, this is evidence of government using this programs in a self interested way. There are in fact many reasons to believe that the Bolivian cash transfers are designed to perpetuate the government. For example, they are targeted to a significant portion of the voting population (the poor), who are concurrently less educated and less likely to be conscious of other government activities that do not directly affect them. This creates a direct connection between the government and the beneficiaries, allowing them to see what the government does and how it affects their lives (Sewall, 2008). In addition, the cash transfers are promoted in a propagandistic way (see picture) that does not give voice to opposing points of view. Some authors have suggested that the main reason that the government receives its current high approval rating is because of these redistributive policies (Razon, 2009). Eighteen percent of those who were interviewed in this study thought the cash transfers were clientelistic.
To reduce clientelism, the current party in power, Movimiento al Socialismo, could dissociate itself from this type of propaganda and discourage the cult of personality that Morales has developed (see picture XXX). This could be done by dissociating the cash transfer program from the current administration and placing responsibility for the programs into the hands of
established institutions (Sewall, 2008). In this way, Morales would no longer be the sole distributor of cash; instead, developing Bolivian institutions will maintain social programs (regardless of whether or not Morales is in power).

**Shortsightedness and Targeting**

Sewall (2008) argues that even though the conditional cash transfers in Brazil were effective at reducing poverty in the short run, their effectiveness diminished in the long run. Sewell argues that since most of the government investment was concentrated in monetary subsidies, little was left to invest in quality of education or health care by improving school programs and medical facilities.

Targeting refers to the ability to make sure that the target group receives the cash transfer benefits and not other less deserving actors. Although the interview sample was small, we can infer that there are several targeting problems with the Bolivian cash transfers. Fifty-seven percent of the people interviewed mentioned that they had noticed some sort of misspending, and forty-four percent mentioned that some eligible people were not able to receive the cash transfers. Twenty-three percent mentioned that some beneficiaries received the cash transfers even though they were ineligible.

Proper documentation is a problem in countries such as Bolivia that do not have strong enough institutions to monitor large social programs. However, this problem can be fixed. For example, in Brazil, condition cash transfer programs also experienced targeting problems. Even some government officials admitted that there was a targeting error of thirty percent (Sewall, 2008). Over the years the government has improved its cash transfer policies using the following strategies:

First, the government conducted spatial targeting by selecting only poor provinces and municipalities. Then, they measured eligibility by administering an income test. This has made it possible for the cash transfers to be distributed very efficiently, since now seventy-three percent of the benefits are distributed to the poorest quintile of the population and ninety-four percent are distributed to the two lowest quintiles. The central government also distributed the money directly to the beneficiaries using debit cards rather than employing intermediaries. This
eliminated potential corruption that might have originated from local government officials. Bolivia could learn from the Brazilian experience to reduce its own targeting problems.

**Application of Social Construction Framework**

The following analysis identifies components of the policy process and places them within the Social Construction Framework. The target group is very clear: elders, school students and pregnant women, which have been traditionally neglected by past Bolivian governments. Figure 10 shows four categories used by the social construction framework: dependants, deviants, contenders and advantaged. The four sectors of the spectrum, are categorized depending on how positive or negative each actor is viewed and how much influence or power they have (Ingram, Schneider, & de Leon, 2007).

The dependents are viewed positively in the Bolivian society, but do not have a lot of political or economic power. Usually it is easier to establish policies to help them because they are seen as needy. The deviants are also less powerful actors, but are viewed with mistrust and in a negative way.

On the more influential end of the spectrum there are advantaged and the contenders. The advantaged are viewed positively and government policy usually favors them. On the negative side, there are the contenders which are viewed negatively and with mistrust. The government usually avoids developing public policies that favor this groups.
The Morales government has targeted socially constructed groups in order to challenge the status quo. More specifically, it has vilified foreign corporations (contenders) in order to gain political capital, and has taxed them in order to fund social programs for dependent groups. Furthermore, the indigenous movements in Bolivia (which currently have deviant status) are now represented by a major political party, the MAS (Movimiento al Socialismo).

By providing cash transfers to poor people, Morales and his administration are making these dependant groups more advantaged. This is done by providing more purchasing power to the dependant groups. This does not necessarily make these groups very powerful as political actors, but they become somewhat more powerful as economic actors, since they have more buying power than before.
The following are the propositions that are suggested by Ingram, et al., (2007), as part of the social constructions framework.

Proposition 1: Policy designs structure opportunities and send varying messages to differently constructed target groups about how the government behaves and how they are likely to be treated by the government (Ingram, et al., 2007).

The redistributive policies are a good example of this since the constructed target group (the cash transfers beneficiaries) receives a lot of attention from the media and the government. The government treats this target group as dependants, but governmental actors are attempting to empower them through social programs.

Proposition 2: The allocation of benefits and burdens to target groups in public policy depends upon their extent of political power and their positive and negative social constructions on the deserving or undeserving axis (Ingram, et al., 2007).

This proposition also applies, since the government is interested in the political capital of the cash transfer beneficiaries. In Bolivia, the size of the voting population that can benefit from these policies cannot be neglected; therefore it is a strategic move for the government to allocate benefits to these dependent groups.

It is also very easy to associate cash transfer beneficiaries with the deserving axis because they are not as capable of earning their own income as other groups, for example young adult males. The Morales administration benefits greatly by elaborating public policies that empower dependent groups that are also seen as deserving (in this case the elderly, pregnant women, and schoolchildren).

Proposition 3: Policy design elements, including tools rules, rationales and delivery structures, differ according to the social construction and power of target groups (Ingram, et al., 2007).

Since there are three distinct target groups, a different subset of rules and regulations exists for each group, and public policies are modified accordingly. For example, elders receive
cash transfer benefits though local banks. Pregnant women receive the cash at hospitals and health centers, while the parents of school-age children receive the cash transfer at the schools.

Preposition 4: Policymakers, especially elected politicians, respond to, perpetuate, and help create social construction of target groups in anticipation of public approval or approbation (Ingram, et al., 2007).

Again, Figure 11 shows how the target group is particularly important for the government because they comprise a majority of the voting population. Traditionally, cash transfer programs have been created and implemented in the periods before an election, which supports the notion that the target group will respond by showing their political loyalty.

The framework however does not incorporate the figure of Evo Morales, and this figure related to all the different angles of the spectrum. Many developing countries have “presidentialistic” figures that overshadow the influence of the political party they are part of. In the case of Bolivia, Morales influences all the sides of the social constructions frameworks influencing them in a direct way. Here there is a new social construction framework that can we used for situations where there is strong leader figures.
<table>
<thead>
<tr>
<th>Advantaged</th>
<th>Contenders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military barons</td>
<td>Fossil fuel corporations</td>
</tr>
<tr>
<td>Oligarchy</td>
<td></td>
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<tr>
<td>Mine owners</td>
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<tr>
<td>Elders</td>
<td>Indigenous witches</td>
</tr>
<tr>
<td>Pregnant women</td>
<td>Coca growers</td>
</tr>
<tr>
<td>Children</td>
<td>Indigenous street salesmen</td>
</tr>
<tr>
<td>Dependents</td>
<td>Deviants</td>
</tr>
</tbody>
</table>
Conclusion

Bolivia’s unconditional cash transfers are an innovative experiment in a country where the state has traditionally failed to integrate certain sectors of the population and make them a priority. At the very least, the poorest segments of the population of La Paz now feel represented by the current government. This may dilute the potential for violent dissention, which some authors have predicted for the Andean region (McClintock, 1984; NIC, 2004).

Even though there are fewer institutional actors involved in the distribution of the cash transfers, corruption still exists. It will be more efficient for the government to control this type of corruption at the local level with more accountability, ensuring that these policies remain effective.

At the same time, there should be a more sustainable way to empower the poor without using up all of Bolivia’s fossil fuel resources. People grow accustomed to receiving cash payments, and they will become belligerent against future governments if their payments are threatened. Bolivian civil society is very strong and capable of pressuring the government to achieve certain policy outcomes.

To expand on research regarding cash transfers in order to get a more “rounded” study, a quantitative analysis will be performed. For this section, annual household data from the Instituto Nacional de Estadística, National Statistic Institute (INE) will be used to see if the cash transfers have a measurable effect on consumption, school attendance, and other variables.

This survey is conducted annually and is both accurate and comprehensive. In the survey there are specific questions about the impact of the cash transfers, socioeconomic status, ethnicity and educational attainment. Of the three cash transfers that have been implemented by the MAS, Renta Dignidad has been in place for four full years, while the other two have been implemented more recently. Therefore, it only makes sense to analyze Renta Dignidad for my quantitative section, since it usually takes several years for policies to affect socioeconomic conditions. Most of the previous studies in Bolivia and around the world that aimed to examine the effect of cash transfers used a control group of people who are eligible for the policy and do not receive it compared with people who are eligible and receive it.

In order to assess what the rest of the country thinks, not just those who live in El Alto, interviews should be conducted in other areas of Bolivia. It will be especially interesting to
understand and analyze the discourse of some of the provinces that are antagonistic to the current government, and hear the discourse of the poor people of these regions who do benefit from these policies but are hired to work for Morales’ opponents. Sucre, Tarija, and Santa Cruz are good examples of these regions. Anecdotically, there is evidence that many of these provinces are very much in favor of the cash transfers and Morales as well, but further research is needed in order to determine whether or not this is true.

**Bibliography**


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