



Bolivia (Plurinational State of)

Area	1,098,581 km ²
Population ⁱ	10,426,154
Age structure	
• 0-14 years (%)	35.8
• 15-64 years (%)	59.6
• 65 years and over (%)	4.6
Infant mortality rate (per 1,000 live births) both sexes ⁱⁱ	41.7
Life expectancy at birth (years) female	68.5
Life expectancy at birth (years) male	64.2
Maternal mortality ratio (per 100,000 live births) ⁱⁱⁱ	222
GDP per capita	
• Current USD ^{iv}	1,683
• PPP (current international \$)	IMF: ^v 4,451 World Bank: ^{vi} 4,426
• Constant local currency ^{vii}	3,060
Unemployment rate (%) ^{viii}	6.8
Human development index (HDI) rank ^{ix}	113
HDI poverty indicators – Human poverty index rank	52

The Dignity Pension (Renta Dignidad): A Universal Old-age Pension Scheme

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Bolivia
(Plurinational State of)

Summary

- Launched in 2008 as a universal benefit for all people 60 years of age and older;
- Universal non-contributory pension;
- Identification documents are needed to register for the scheme; biometric registry is being developed;
- Benefit can be paid monthly or accumulated over up to 12 months. Amount equivalent to about \$340 per year; 75 per cent of this annual benefit amount for those already receiving a pension from the Social Security System;
- 800,000 beneficiaries (2010);
- \$500 million paid;
- Financed by a fixed share of the special direct tax on hydrocarbons (impuesto directo a los hidrocarburos (IDH) – oil and gas revenue), with contributions from all levels of government, and dividends from capitalized public enterprises (association with the multinational enterprises, which are now undergoing nationalization);
- Impact: a 5.8 per cent reduction in extreme poverty between 2007 and 2009 (especially in rural areas).

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INTRODUCTION

In the past two years, the Plurinational State of Bolivia has reduced the indicators of moderate and extreme poverty by 2 and 6 percentage points, respectively. At the beginning of this period, 60 per

cent of Bolivians lived in poverty and 38 per cent were living in extreme poverty. The reality faced by other Latin American countries as well as by Caribbean and African countries is not much different.

Faced with this reality for decades,

various schools of economics and social sciences have discussed and studied the relevance and effectiveness, in terms of economic and social development, of granting subsidies or direct transfers to vulnerable groups. Beyond this discussion, however, the international community must also be made aware of the concrete results from the implementation of social protection measures. These measures, which resulted in the acceleration of poverty reduction, match the policy objectives of the Social Protection Floor Initiative proposed by the United Nations and, ultimately, dignify the elderly in the Plurinational State of Bolivia.

For the Plurinational State of Bolivia, now being able to guarantee a social protection floor for the elderly has been one of the most important and far-reaching social accomplishments in the country's history. Along with other social measures, it has also had a clear impact on poverty reduction and the quality of life of the country's citizens. In this way, the Dignity Pension (Renta Dignidad), a benefit established within the Bolivian non-contributory Social Security Scheme, has improved the beneficiaries' living conditions.

POLICY DESCRIPTION

In order to understand the dimensions of the State's policy of treating the elderly with dignity, it is necessary to refer to the new Political Constitution of the Plurinational State of Bolivia, which was drafted by the Constituent Assembly and

the Legislative Branch and approved by about two thirds of the population in January 2009. The Constitution, which became effective in February 2009, states in Article 67:

"I. In addition to the rights recognized in this Constitution, every person of adult age has the right to a dignified old age that has quality and human warmth.

II. The State shall provide an old age pension within the framework of full social security, in accordance with the law".

The payment of the Renta Dignidad began in 2008 through Law No. 3791 of November of that year. With the approval of the new State Constitution, the benefit became part of the country's Constitutional rights under the following name: Universal Income for the Elderly, or Dignity Pension (Renta Universal de Vejez, Renta Dignidad).

As part of the country's policies of income redistribution and poverty reduction and the efforts to dignify the life of citizens, this benefit guarantees, for the first time in the country's history, a monthly income for life to all Bolivian residents age 60 years and above.

The Renta Dignidad is part of the country's universal or non-contributory Social Security Scheme. The annual benefit amount for those who do not receive a retirement pension from the system is Bs2,400 (US\$340). For those who do receive another pension, the benefit is 75 per cent of this amount, or Bs1,800 (US\$255). The main idea

behind this distinction is to prioritize, through a higher payment, the segment of the population that has no old-age pension whatsoever without neglecting the universal right to one.

In the first half of 2010, of the 800,000 beneficiaries of the Renta Dignidad, 83 per cent were not already receiving any pension from the Social Security Scheme as a result of working in the informal sector and having extended periods of unemployment. Therefore, it can be argued that allotting greater benefits to those who do not receive a retirement pension is consistent with the policy of redistributing income and guaranteeing greater efficiency in the implementation of the policy, given that elderly individuals who do not receive a pension are the ones with the greatest needs.

Following the same design of the Renta Dignidad and using its same source of funding, a Funeral Expenses provision has also been established to give a total of Bs1,800 (US\$254) to those who can prove that they have paid the funeral expenses of a recipient of the Renta Dignidad. The purpose of the provision is to contribute to the needs of the family after the death of a beneficiary. In operational terms, this provision has served to complement the monitoring of beneficiaries' survival. It has also become an incentive for families to report deaths in a timely manner, thereby preventing identity theft.

Under a national policy of income redistribution, the funding of the Renta Dignidad comes from the direct tax on

hydrocarbons (impuesto directo a los hidrocarburos, IDH), which is derived from the exploitation of hydrocarbon resources, a sector that generates surpluses in the national economy. Dividends from public companies active in strategic sectors also finance this non-contributory benefit. The Renta Dignidad has hired an independent entity that manages the resources, enables an online payment system and controls the transactions.

ORIGIN OF THE PROGRAMME

The Renta Dignidad is framed in accordance with the principle of the universality of social security. It is the first of the country's social protection floor policies whose benefits are guaranteed by Constitutional law to all Bolivians 60 years old and older living in the country. However, it is important to mention earlier benefits that had their origin in the pension reform of 1996.

THE PENSION REFORM OF 1996: THE EXPERIENCE OF THE SOLIDARITY BONUS

The Solidarity Bonus (Bono Solidario, Bonosol) was a cash transfer for all Bolivians 65 years of age and older that was established in 1996 as part of the social and economic reforms undertaken between 1993 and 1997. A centrepiece of the administration's economic reforms was the capitalization of major strategic State enterprises (State-owned companies in sectors such as air transport and railways, oil, electricity and telecommu-

nications) whereby, on 31 December 1995, 50 per cent of the shares of each of these companies were transferred to foreign investors through an international tender, and around 48 per cent were transferred to Bolivians 21 years of age or older (who formed the closed group of Bonosol beneficiaries). The remaining shares were transferred to minority shareholders. The 48 per cent stake of the capitalized companies was designated for the Collective Capitalization Fund (CCF), which began with assets totalling more than US\$1,500 million. The administration of the Fund was commissioned through an international bidding process to two pension-fund administrators.¹ These administrators had the role of representing the stock of Collective Capitalization Fund shares in meetings between the capitalized companies' shareholders and the company's boards. The designers of the social benefit considered that the annual dividends generated by the capitalized companies would enter the Collective Capitalization Fund and be used to pay the Bonosol. The amount of the benefit could be modified after financial and economic evaluation.

The funding of the Bonosol was subject to the dividend policies decided at meetings of shareholders from the capitalized companies. These policies oscillated between two extremes: (a) reinvestment of profits from the capitalized companies in strategic sectors, meaning that no dividends were paid and, therefore, that

resources were not made available to finance the Bonosol; or (b) the payment of the Bonosol, which meant that there was a reduced ability to reinvest in or expand these industries. The decisions taken must therefore balance the development of strategic sectors with ensuring benefits for the country's elderly.

The first annual payment of US\$248 was made in 1997 to each of the beneficiaries of the Bonosol who were 65 years of age by December 1995. Logistically, it was the first experience of a mass payment that generated disorder at payment points.

Since the group of beneficiaries enrolled in the capitalization scheme was a closed group of Bolivians over 21 years of age in December 1995, the Bonosol benefit cannot be described as universal because it will cease to exist as soon as the last of these beneficiaries passes away.

During the ten years of existence of the Collective Capitalization Fund, the framework described earlier generated resources that were used to pay the non-contributory benefit. In parallel, the administrators of the pension fund represented the shares owned by Bolivians. During the last years of the existence of the Bonosol, the obligations of the Fund reached US\$100 million annually, a figure that could scarcely be matched by the dividends paid and destined to the Fund. This threatened its sustainability and therefore the continuity of the benefit payment.

¹AFP Futuro de Bolivia and AFP Previsión were subsidiaries of the financial groups Argentaria and Banco Bilbao Vizcaya, respectively. To date, AFP Futuro de Bolivia is a subsidiary of the Swiss group, Zurich Financial Services.

INTERMEDIARY PROFITS

From 1998 to 2007, the Bonosol underwent changes in the design of its financing, payment amounts and beneficiaries. Between 1998 and 2001, it was replaced by another benefit, the so-called "Bolivida", which reduced the group of beneficiaries to Bolivians 50 years of age and older by 1995. It also reduced the amount of the benefit to between US\$56 and US\$60 per year.

In 2002, the payment of non-contributory benefits was suspended and then restored in 2003 under the name "Bonosol", returning also to the characteristics of the initial design: (a) beneficiaries are Bolivians who are 21 years of age and older in December 1995, (b) funding comes from the dividends of the capitalized companies, and (c) the annual payment amount is US\$257, with revision of the amount every five years.

With respect to logistical aspects, the first significant show of progress was the completion of a database of capitalization beneficiaries that was based on the electoral roll. The second was the implementation of online payments through the financial system, accompanied by a reduced number of in-person payment centres.

The regulatory framework of the Bonosol stipulated that, every five years, the amount of the payments, which could vary positively or negatively, had to be re-evaluated depending on the availability of the Collective Capitalization Fund. Prior to the existence of the Renta

Dignidad, the availability of financing for the Bonosol was evaluated and it was concluded that to maintain the benefit, it was necessary to reduce the amount by at least 15 per cent (with this reduction, the benefit would total about US\$190 per year), a situation that would generate immediate rejection and social conflict.

The political context helps to explain the evolution of these non-contributory benefits, given that both the name change and the benefit amount have been the subject of election promises and not of the Government's economic and social policies. However, prior to the Renta Dignidad, no major conceptual change had been carried out regarding the universality of the benefit, extension of funding or mode of payment.

UNIVERSAL OLD-AGE INCOME

The Renta Dignidad emerged from a different background from that of previous non-contributory benefits. Social policies, the universality of social security and poverty reduction are now political priorities, and the implementation of the Renta Dignidad is the realization of this vision of development. Furthermore, unlike the country's previous benefits, this non-contributory benefit was not put forth as a strategy for earning votes.

The economic scenario in the country was also essential for the implementation of the Renta Dignidad. Oil-export earnings have improved since 2006 owing to the international rise of prices and to the recently approved policy

framework for the distribution of oil revenues, which substantially increased tax revenues from this sector and the investment in its productive chain.

What were the factors that gave rise to the *Renta Dignidad* as a universal social protection policy? It could be argued that the origin of this non-contributory benefit derived from a favourable political and economic situation and a timely decision. It is inspired by a vision of poverty reduction based on the social reality of Bolivians.

LEGAL BASIS OF THE RENTA DIGNIDAD PROGRAMME

To ensure the continuity and effectiveness of a social security programme, Bolivian social policies suggest that its legal basis must guarantee two fundamental components: (a) the right of access, and (b) the obligation to address this right. In the case of the *Renta Dignidad* in the Plurinational State of Bolivia, these principles are fulfilled by the fundamental law of the country, the Constitution of the State.

The first section of the *Renta Dignidad* law responds to Article 67 of the Constitution, which establishes the obligation of the Bolivian State to provide old-age annuities under the Social Security System and the right of older adults to a dignified old age. However, prior to the approval of the new Bolivian Constitution, this benefit was created

with a State law in 2007, with payments beginning in 2008.

In this context, the Constitutional framework and a specific law are in force in the country, establishing the Universal Old Age Income (*Renta Dignidad*) as a universal right of all Bolivians and setting the minimum required age for payment at 60 years. Therefore, the guarantee of the continuity of the programme remains established in the highest law of the country.

Regarding the financing of the programme and its legal framework, the Law on the *Renta Dignidad* specifies that funding sources are detached from structural economic policy. Rather, part of the income tax on hydrocarbons allocated to the General Treasury of the Nation and regional budgets² should finance the non-contributory benefits. This means that the funding guarantee and payment continuity of the *Renta Dignidad* are, in addition to being established in the programme's specific law, defined in the hydrocarbon-sector regulations providing for the transfer of surplus resources to social policies.

As for the management of *Renta Dignidad* payments, a series of Supreme Decrees and Administrative Resolutions have been issued by the Executive Branch and the pension regulator, respectively, enabling the operational running of the benefit. In turn, this regulatory legal framework allows the Constitutional right and obligation to operate in a flexible and timely manner.

²Contribution of 30 per cent of resources by the Direct Tax on Hydrocarbons from resources of the prefectures, municipalities, the Indigenous Fund and the General Treasury of the Nation.

FUNDING

In compliance with the principles of solidarity and sustainability of Bolivian Social Security, funding for the Renta Dignidad reflects the economic and social policy of redistributing income from sectors that generate surpluses to highly vulnerable sectors.

There are two funding sources for the Renta Dignidad: a direct tax on hydrocarbons and dividends of capitalized public enterprises.

DIRECT TAX ON HYDROCARBONS (IDH) AND THE RENTA DIGNIDAD

The Plurinational State of Bolivia is a country with large oil reserves. The production and exportation of this natural resource constitute one of the main components of the national gross domestic product (GDP). In 2003, the political management of the sector changed. In that same year, the "October Agenda" was established as a result of social mobilization of civil society organizations, which demanded the recovery-of-oil policy by the State and tangible benefits for the sector.

Three important factors have had and continue to have an impact on the revenues derived from the hydrocarbon sector in the country:

- the modification of the regulative framework for the collection of tax

revenue on hydrocarbons and its regional allocation.³ Until 2005, the Act on the Hydrocarbon Sector established taxes on the production chain that did not bring large revenues to the General Treasury of the State. However, with the amendment of the Act on the Hydrocarbon Sector and of the percentage taxed, tax revenues from the hydrocarbon sector became more relevant as of 2006. They have become one of the main sources of State income both for the current expenditure and for the financing of long-term projects such as productive investments, national social projects and local government projects;

- the evolution of international oil prices, which led to better export prices of Bolivian gas to Argentina and Brazil. It is common knowledge that the international prices of raw materials have a considerable impact on the global economy and have had a historic growth cycle in the past several years. Given that the Plurinational State of Bolivia is a country with a primary export economy, this cycle has significantly favoured revenues from the production and exploitation of hydrocarbons and hence the collection of tax revenues from this sector. However, it is important to note that the fact that this factor is external to the Bolivian

³The amount of the Direct Tax on Hydrocarbons (IDH) collected in 2008 and 2009 was US\$950 million and US\$923 million, respectively, 12 per cent higher than under the previous legislation. The reduction in 2009 is due to the effect of reduced international oil prices.

economy suggests the need to take preventive funding decisions to face shocks that might affect international prices and hydrocarbon incomes; and

- the new economic policy for the hydrocarbon sector, which allowed the return of the hydrocarbon production chain to the Bolivian State through the recovery of the equity stake in strategic enterprises.

Thus, with the purpose of addressing comprehensive policies in this area, the companies of this sector, which had been privatized and capitalized a decade ago, now find themselves under the administration and representation of the Bolivian State.⁴ This enables priorities on productive investments to be articulated in close relationship with the benefits granted and in function of income sources.

Funding for the *Renta Dignidad* from the hydrocarbon sector is 30 per cent of the total revenue from the Direct Tax on Hydrocarbons (IDH), which reached US\$220 million in 2008 and US\$237 million in 2009. The social welfare policy committed the allocation of a proportion of national and regional budgets, obtained through the IDH, without affecting the implementation of investment programmes.

Funding from the hydrocarbon sector made it possible to implement a social and economic policy of income redistrib-

ution through national and regional budgets in a positive economic and political environment. However, as the hydrocarbon price may vary because of externalities, it is important that the strategy of investment in the sector consider that this source of revenue should grow in proportion to the payment obligations through improvements in production capacity and export.

DIVIDENDS FROM CAPITALIZED PUBLIC COMPANIES

The second source of financing of the *Renta Dignidad* comes from the payment of share dividends from the capitalized public companies.

As described in the first stage of the *Bonosol* payment, after the privatization of State enterprises (the sale of Bolivians' shares in strategic public enterprises to multinational corporations), it was decided that the dividends generated by these companies were to be used to finance the non-contributory Social Security Scheme. About 48 per cent of the shares of each of these companies was transferred to the ownership of Bolivians over 21 years of age in December 1995 through a trust administered by managers of private pension funds, the Collective Capitalization Fund.

Currently, the dividends generated by capitalized enterprises are distributed in favour of shareholders, and the resources of the Bolivian people are allocated to the Universal Income Fund for Old Age.

⁴The State corporation, *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB), owns majority shares in oil companies that were capitalized by foreign capital.

To date, seven of the ten capitalized companies in 1996 have undergone a process of nationalization, transferring the stakes previously owned by Bolivians to the Bolivian State. Given the current State policy, this measure allows decisions to be balanced between reinvestment in strategic sectors and the financing of social assistance programmes such as the Renta Dignidad.

RENDA DIGNIDAD: MANAGEMENT AND IMPACT

PAYMENT MANAGEMENT

Significant logistical and technological advances have been achieved in the management of payments of the Renta Dignidad at the national level. First of all, the Government developed a database of beneficiaries. The database had its origin in the electoral and civil registration system and subsequently relied on other sources of data on the identity of beneficiaries. As a result of documentary and information-technology efforts throughout the whole country, this database is updated daily according to the reporting of deceased beneficiaries, cases of perfect homonyms, the incorporation of new beneficiaries, and modifications of identity, residence, address, etc.

The reception of new procedures and updates of new beneficiaries as well as of the database are the responsibility of the management entity of the Renta Dignidad, which transfers these requests

to the public institution in charge of regulation of the pension system. The Authority for the Monitoring and Control of Pensions (Autoridad de Fiscalización y Control Social de Pensiones) validates this information and makes the appropriate modifications. The Authority, in coordination with a private electronic payment-processing entity, manages the Renta Dignidad payments made in real time on a daily basis, ensuring that the payments are available in over 1,100 payment centres at the national level, including branches of financial institutions and the payment centres of the National Armed Forces.

For its part, the pension payment system has been optimized to include the amount of the Renta Dignidad in the monthly payslips of retirees. This is relevant since there are six entities that manage pension payments: the entity paying pensions from the recent income distribution system; the military social insurance institution; the two pension fund administrators; and the two insurance companies handling old-age benefits in the individual capitalization system.

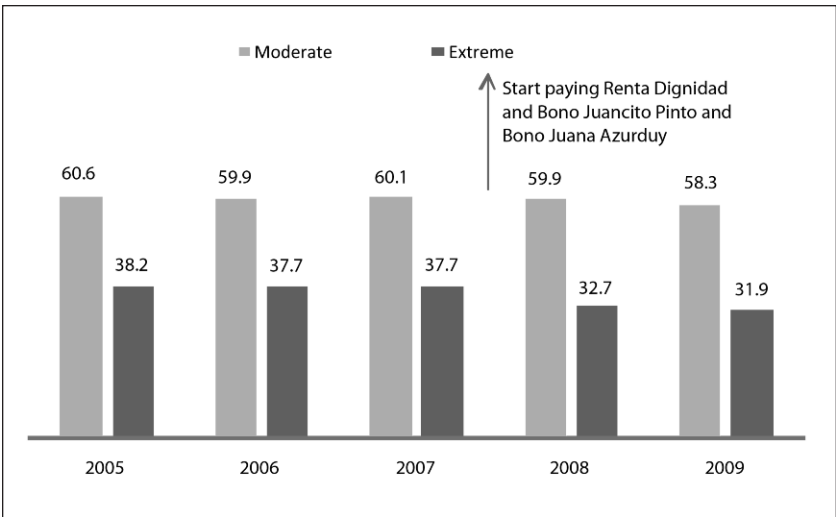
At the national level, the payment centres are available in more than 900 financial-institution platforms, operating online transactions in real time. Regarding the logistics of benefit payments, it is important to emphasize the operational innovation of employing the Armed Forces to pay out the Renta Dignidad. There are more than 200 pay points between the military installations

and the mobile military units. The mobile military units are equipped with mobile satellite equipment interfaced to the main database of beneficiaries, enabling people to collect payments online from any location in the country. The system has also achieved greater geographical coverage in urban areas and, more significantly, in rural areas. For salaried retirees, the benefit is included in their payslips, while for unsalaried retirees, the payment is available in financial-system platforms and mobile military units and is made monthly or cumulatively for a maximum of twelve months. It has been shown that beneficiaries choose to accumulate between three

and four months of benefits and/or ask to receive them in year-end periods.

UNIVERSALITY: THE IMPACT OF THE RENTA DIGNIDAD

The success of the policy of social-security universality can be quantified by the change in poverty indicators and their social impact. As for economic indicators, the Renta Dignidad, along with the implementation of other social policies, has accelerated the reduction of moderate and, especially, extreme poverty. Extreme poverty was reduced from 37.7 per cent in 2006 to 31.9 per cent in 2009 – a rapid downward trend (see graph).



Incidence of moderate and extreme poverty (as a percentage).

Source: 2009 Fiscal Report, Ministry of Economy and Public Finance.

The impact of the Renta Dignidad on the daily lives of beneficiaries is closely related to the context and social role of the elderly in the Plurinational State of Bolivia as well as their spending profile. In terms of consumption, beneficiaries

use their monthly benefit to finance spending in three main areas: food, housing and services. With regard to food expenses, beneficiaries contribute to the family budget for household spending on basic necessities. In relation to expendi-

ture on services, the elderly prioritize the payment of basic services such as water, electricity, gas and public transportation. The monthly amount of the Renta Dignidad is sufficient to cover the average consumption of electricity, water and gas for a family of four. Finally, with respect to housing, the Renta Dignidad benefit helps the elderly to cover rent or mortgage payments for the family group to which they belong. In short, the benefit has served to dignify the participation of the elderly in society, enabling them to contribute to spending on the basic needs of their family groups.

As for the number of beneficiaries of the universal Renta Dignidad programme, in the first half of 2010, there were about 800,000 beneficiaries, 55 per cent of whom were women. Since the establishment of the benefit, more than US\$500 million has been paid out in benefits, which have an annual growth rate of 8 per cent.

The universality of the programme can easily be substantiated by its level of coverage. The number of beneficiaries who successfully received the monthly benefit or the accumulated benefit has reached 97 per cent of the total number of eligible beneficiaries. This means that only 3 per cent of adults 60 years old or older need some type of administrative help (mainly an adjustment of identity information registered), which will activate their payment once the process is complete.

Finally, the outcomes of implement-

ing social measures, including cash transfers to vulnerable sectors, have allowed the Plurinational State of Bolivia to be declared a middle-income country⁵ since per capita income has exceeded US\$1,100. This has opened up the possibility of accessing international cooperation programmes similar to those of the other emerging economies of the region.

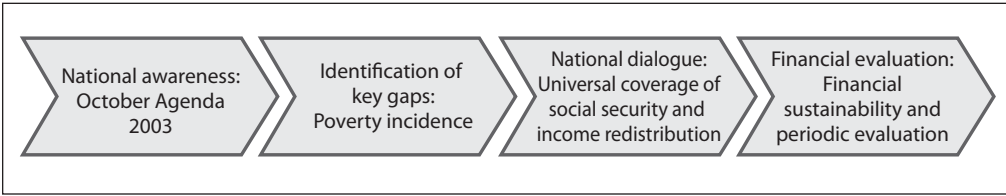
ENGAGEMENT WITH THE SOCIAL PROTECTION FLOOR

The conceptualization of a social protection floor – defined as a strategy to guarantee a minimum level of monthly cash income through a transfer component – helps to explain the scope of the Renta Dignidad in the Plurinational State of Bolivia. In addition, the activities promoting the development of a social protection floor (from the recovery of sovereignty over natural resources resulting from the “October Agenda” in 2003 to granting the benefit after the assessment of financial sustainability) help to explain the evolution and implementation of the benefit in the country (fig. 2).

The Renta Dignidad programme is a significant, historic step towards the strategy of implementing a social protection floor. It is thanks to this programme that a universal social right for the elderly has been established through the Bolivian State Constitution. In operational terms, it has ensured that all Bolivians 60 years of age or older living in

⁵Classified as such by the World Bank in 2010 by examining the level of income per capita of the inhabitants of a country.

Implementation of the Renta Dignidad: Social protection floor process.



Source: Prepared by the author.

the country are now covered through an economic transfer programme that guarantees a minimum income for this vulnerable societal group.

It is important to note that an overall set of social and economic policies to benefit vulnerable groups has been developed. For example, a financial transfer for primary school children, the Bono Juancito Pinto, has been established to promote the continuation of their schooling. There is a State subsidy that pays pregnant women to deliver their babies at public health centres instead of at home. Called the Bono Juana Azurduy

benefit, this programme also grants women a subsidy when they make prenatal visits to a health centre and when they have routine check-ups in the first two years of the child's life. There is also a programme to extend the coverage of free health insurance to all seniors through the Social Security for Seniors programme. These programmes form part of a comprehensive strategy for assistance and social protection of highly vulnerable groups and are funded through public resources. In December 2009, 27.7 per cent of the population benefited from social transfers (box 1).

Box 1. Populations benefiting from conditional cash transfers

The high levels of poverty, inequality and social discrimination reported in the Plurinational State of Bolivia demanded the implementation of a set of social measures aimed at the most disadvantaged segments of the population. Since 2006, conditional cash transfers have constituted a fundamental instrument in the short term, mitigating the recurrent needs of the population through direct cash transfers and making this State benefit conditional on a given behaviour, whether it is attending school, visiting health clinics or frequenting relief centres in old age.

In December 2009, 27.7 per cent of the population, or 2,840,334 people, benefited from cash transfers: 16.9 per cent benefited from the Bono Juancito Pinto, which covers students from the first to the eighth grade of primary education (formal), students receiving alternative youth education and special education students; 7.5 per cent of the population received the Renta Dignidad, aimed at people 60 years old or older; and the remaining 3.3 per cent benefited from the Bono Juana Azurduy, launched in May 2009 and aimed at mothers and children under two years of age.

The Renta Dignidad, a successful programme of universal social protection, is part of a strategic set of programmes that direct resources towards measures that secure and ensure a life of dignity for Bolivians. This comprehensive strategy has close ties with and the same purpose as the Social Protection Floor Initiative since it is aimed at upholding people's basic rights through its services and transfer components.

CONCLUSIONS AND FUTURE CHALLENGES

Within the framework of social consensus and political representation, a decision taken in the context of a limited economy has responded to the challenge of allocating part of the revenue generated by one of the country's main natural resources, and it is beginning to bear fruit. This is evident not only in strict adherence to economic and social indicators but also in terms of socio-cultural impact. It allows every Bolivian to be assured that his/her country will guarantee a monthly, lifetime income throughout his/her old age, which will allow him/her to contribute to supporting the family and to remain an active part of society.

For its part, the fundamental and universal right of access to an old-age pension has been secured, having been established as a right by the Constitution of the State of Bolivia itself, a move that thereby ensured its continuity. The new Political Constitution of the Plurinational State of Bolivia, which was approved by

universal suffrage just a year and a half ago (January 2009), responds to the social demand of the population and converts it into an inalienable right.

The funding sources of the Renta Dignidad, which are derived from the tax on hydrocarbons, are also a sign of political, economic and social consensus. The will of the people, which was to be able to receive a tangible benefit of ownership and sovereignty over their natural resources, has been translated into a policy of income redistribution. A sector such as the surplus-generating hydrocarbon sector directly contributes to the financing of the universal benefit.

Every goal has not yet been reached, however, and the road ahead is still arduous. The following are considered to be some of the challenges faced by the Renta Dignidad:

- The first challenge is to consolidate political consensus among society, regions that finance the Renta Dignidad and the beneficiaries through their social representatives in order to ensure that the right to the benefit is fully entrenched as a fundamental right for all Bolivians and can transcend generations.

It is also essential that the universal welfare policy for the elderly be a part of Bolivian culture through solidarity, which will result in the allocation of State resources from a surplus sector to a vulnerable one. This will also ensure that these measures can be

replicated for other vulnerable groups or groups exposed to poverty.

- Given that the main source of financing comes from oil and gas revenues that depend on external prices, investments in the hydro-carbon sector are necessary to maintain and increase income levels. In addition, the administration of the Renta Dignidad fund must make prudent investments in order to capitalize on the surplus and generate financial support for periods in which incomes do not allow for self-financing.

While financing can be secured, in the medium term the amount of the benefit may reach a monthly Bs679 (US\$97) national minimum wage. Based on the analysis of the impact on resource allocation, the increase of the benefit is predicted to be gradual for groups with a higher incidence of poverty or lower income.

- The Renta Dignidad Act makes provisions for its payment to be available in cash or in kind, which means that a form of transfer can be implemented whereby the benefit is paid in products and basic necessities and that national production can be guided to a market consisting of beneficiaries. This design will depend on the integration and evaluation of policies to encourage production and policies of income redistribution.

Since there has been a significant financial effort by the State in the

payment of the benefit, part of these resources could be used to encourage production – subsequently generating employment and economic development – and to allow the beneficiary to have the final say in the choice between a payment in cash or in kind. Of course, this design will also depend on the consensus of the collectives of beneficiaries.

- Regarding the operative part of the benefit payment, the biometric registration of beneficiaries still remains to be completed. This would eliminate the need to present personal identification documents in order to receive the benefit and, in turn, would minimize the chances of impersonation in the collection of benefits.

Parallel to this challenge, a personal Social Security number will be given to each beneficiary, enabling the identification of beneficiaries to be related to their work history and the benefits that they can access throughout their life.

- Another challenge is that of integrating the Bolivian Social Security System through a pension system that links social and economic policies, including the Renta Dignidad and the Solidarity Retirement Pension (Pensión Solidaria de Jubilación).

Finally, as presented at the beginning of this case study, one of the main conclusions regarding the impact of the Renta Dignidad in the Plurinational State of Bolivia is the acceleration in poverty

reduction. Detailing this successful experience testifies to the real impact of the implementation of income-redistribution

policies and social assistance on vulnerable population groups, such as older adults, who can now have a life of dignity.

Box 2. The Solidarity Retirement Pension: Ensuring dignified retirement for workers.

In order to ensure a decent pension for Bolivian workers and achieve universal coverage of the pension system, the Solidarity Retirement Pension (Pensión Solidaria de Jubilación) has been developed.

The Pensión Solidaria de Jubilación, part of the semi-contributory Social Security Scheme, is aimed at ensuring a minimum amount of retirement income, which increases in proportion to the years contributed, for those dependent and self-employed workers whose pension amounts under the individual capitalization system are considerably lower.

The first group of beneficiaries of this pension comprises retirement-age workers whose pension amounts in the individual capitalization system are low – even below the national minimum wage. This is owing to long periods of unemployment and, during the stages in which workers were active, low income and contribution levels (well below the average wage).

In the medium and long terms, the second group of beneficiaries would comprise self-employed workers, including truckers, farmers, housewives, union leaders, individual consultants, construction workers and workers in other sectors, all of whom now have the incentive to make contributions to a long-term social security scheme since it guarantees payment of a minimum retirement pension independent of the capital accumulated in the workers' individual retirement savings accounts.

The age of access to the Pensión Solidaria de Jubilación is 58, and the amount increases along with the years of contribution. For example, a worker having made contributions for 15 years is guaranteed a pension of 100 per cent of the national minimum wage (US\$97) while a worker with 35 years of contributions will receive a pension between US\$190 and US\$370, with adjustments made annually in order to maintain purchasing power.

Under income-redistribution policies, the funding sources for the benefit are: (a) a mandatory employer contribution of 3 per cent based on the payroll of his/her employees; (b) a labour contribution of 0.5 per cent; (c) solidarity contributions of people with monthly incomes 20 times higher than the national minimum wage (US\$1,900); and (d) 20 per cent of the premiums collected for risk, without affecting pension funding.

Finally, the Pensión Solidaria de Jubilación institutes policies that modify access to this Pension depending on gender, including (a) a reduction of the minimum age required for access for working mothers of one year for each child born (with a maximum of three years), and (b) the implementation of a uniform mortality table for men and women in order to calculate equitable pensions in the individual capitalization system.

ⁱ National Institute of Statistics, 2010.

ⁱⁱ Ibid.

ⁱⁱⁱ Ministry of Health and Sports, 2008.

^{iv} National Institute of Statistics, 2009.

^v International Monetary Fund, World Economic Outlook Database, October 2010, data for 2009.

^{vi} World Bank, World Development Indicators Database, October 2010, data for 2009.

^{vii} National Institute of Statistics, 2009.

^{viii} National Institute of Statistics, Social and Economic Policy Analysis Unit (UDAPE), 2009.

^{ix} UNDP, *Human Development Report 2009*.