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Historicizing unequal resource distribution

Analytical Framework Report

D.WP 2.1

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1. Introduction: Introduction: Institutional Change and Governance of Natural Resources in the Andes

1.1. Environmental Governance in Latin America

The central objective of the ENGOV project is to understand how environmental governance is shaped in Latin America and the Caribbean (LAC) and to develop a new analytical framework for environmental governance in the region. The project will focus on both formal and informal practices of management around renewable and non-renewable natural resources, how they are perceived, contested and reshaped in the context of rapid and complex social, political, economic and environmental changes at local, national, and global levels. In order to do so, the concept of environmental governance provides a comprehensive approach linking theory and practice.

The question we will try to answer is: what are the historical limitations of the new Andean leftist governments, with regards to creating and putting to work new institutions, for governing natural resources use, and simultaneously advance development? Our question speaks to the core of the current consensus on the relationship between natural resource exploitation and development. Both critics and proponents of large scale mining and hydrocarbons extraction maintain that institutions determine whether mineral and oil based wealth would have positive or negative effects on growth, poverty reduction, social cohesion, and state building (Collier, 2010; Bebbington et al., 2008). Given their long and more recent history with natural resource based development, many scholars have made use of the Andean cases to argue their positions. In particular they have shown that large scale mining in Peru has provoked the standard effects predicted by the "resource curse" thesis, and attributed them to an institutional context biased in favor of the transnational companies and their (state and private) allies; in contrast, both academics and activists have argued that the anti-neoliberal governments elected in Bolivia (2005) and Ecuador (2006) would change not only the mining and hydrocarbons regulations, but that they would go even further in changing the development path of their countries. Early initiatives taken by these governments gave credibility to those arguments, but more recent developments look less promising.

1.2. The debate on natural resource governance

In Bolivia and Ecuador left-leaning governments took power five years ago; as part of their political projects the new rulers promised -and, in fact, advanced- changes in the institutions that regulate the use and management of renewable and non-renewable natural resources. Both Evo Morales' and Rafael Correa's governments (Bolivia and Ecuador, respectively) have embraced key demands, put forward by anti-mining and anti-oil movements (in particular the indigenous and environmental), to design constitutions, hydrocarbons, mining, water and land laws, that radically changed the regulations of the extractive sectors of their economies. They have gone even further, by advancing new models of development built on the concept of “living well” (*sumak kawsay/suma qamaña/buen vivir*), the Andean governments claim to be constructing a new society based on harmonious relations with nature. In addition, these governments have been understood as springing from decades-long processes of empowerment of social movements, in particular of the indigenous and environmental (Ramírez, 2009; Gudynas, 2009; Stefanoni, 2009). However, and despite of their progressive rhetoric, these governments' practices give support to development models based on natural resource exploitation.

Currently, the Andean governments seem to be heading to a form of development characterized by the re-construction of state capacities to guide and intervene into the economy. There also seem to be, efforts to expand the benefits of development to the excluded sections of the population, and attempts to profit from the international commodities boom. These characteristics account for a potentially explosive contradiction between progressive governance of natural resources and state building.

We think that it is not enough to critically point at the contradictory behaviors of the new governments; the contradiction needs to be explained. We will argue, first, that the new formal institutions enacted in Ecuador and Bolivia sprung out from two sources: one, the international discourses of both the ecological movements and the critics of development; and, two, from domestic political processes that allowed a new set of modernizing elites to gain power¹. Second, by using a historical institutionalism approach we will dispute the

¹ As Whitehead (2006) has observed, the renovation of elites in Latin America tends to follow a cyclical pattern, with critics of the most recent attempt to modernization raising to power and

arguments that portrait institutional change as happening by design, free of historical constrictions, and power related structures. Our argument will take into account the fact that formal (i.e. constitutional and legal) institutional changes have happened in our Andean cases. We see those institutional innovations as rationally chose –i.e. designed- but also as creating unanticipated consequences that we think spring out of the cumulative effects of natural resources-based development (Pierson, 2004).

The new formal rules for the governance of natural resources provide the framework of political contestation for all the actors involved (i.e. transnational corporations, decision makers, social movements activists, and citizens in general), but these rules operate inside of a given set of constraints that are both historical (i.e. the long dependence of Bolivia and Ecuador on mineral and hydrocarbons exports, and their respective power structures) and contemporary (i.e. the international commodities boom, and the strong fiscal pressures on the contemporary governments). This means, that we need to shift our focus from actor-centered explanations of *institutional choice* to *institutional development*. The latter brings to the fore a range of fundamental issues: the implications of unanticipated consequences for the evolution/design of natural resource governance; the need to explore the bases of institutional resilience, including the well-known weak capacities of the Bolivian and Ecuadorian states to mediate development conflicts (Gray Molina, 2008); and, the ongoing processes of learning that may be creating new changes in the (recently adopted) institutions of natural resources governance.

Since the mid nineties, when the neoliberals revived and reframed the question on mining and development, two positions have come to dominate the debate. These two strands originated from the question of the “resource curse” thesis, initially proposed by Sachs and Warner (1995). Their study on the relationship of natural resource abundance and economic growth lead them to conclude, that “developing countries with abundant primary resources are likely to grow slowly when initial income levels and differences in macroeconomic policies are controlled” (Iimi, 2007). Later research by Leite and Weidmann (1999), Auty (2008), and Auty and Gelb (2001) show that the impacts of natural resource exploitation/exports affect the political live of a country, producing high levels of corruption

initiating a new cycle of modernizing reforms –some times with a radical bent, for example, with the substitution of the old technocratic elite of the ISI years with a new neoliberal technocratic elite during the Washington Consensus’ years.

and lack of transparency in the appropriation and use of state revenue (Bebbington et al., 2008).

The resource curse thesis disproved the plausibility of the idea that natural resource abundance produces economic growth and development –an assumption key for the promotion of neoliberal promises of development based on static comparative advantages. After all, there are abundant historical examples of mineral (or hydrocarbons) exploitation given a “big push” to economic growth and the development of infrastructure and human capital (Collier, 2010; Iimi, 2007). The subsequent controversy in the field of development economics did not settle the question on the economics of the resource curse, but opened the door to a new set of insights that came from political science and political economy. These latter contributions showed that natural resource wealth, and the development of an extractive economy did affect governance and compromise society’s development when a rentier state emerged (Collier, 2010; Karl, 2007); that is, the deleterious effects of the resource curse did not spring directly from the economics of extractive activities; they were mediated from a specifically *political* variable: the set of institutions that allocate revenues to the state, and regulate the use of that income. The resource curse seemed to be connected to the specific question of the governance of natural resource revenues management (Collier, 2010, 38). Collier elegantly sums up the current position of those who, on the grounds of the importance of governance institutions, favor the exploitation of abundant natural resources as a development choice, if there is a parallel effort to put in place “the right institutions”:

The revenues that [the poorest societies] could get from natural assets are enormous, dwarfing any conceivable flows of aid. They could certainly be transformative. If they deliver, any efforts to inhibit the extraction of natural assets from the poorest countries are not simply counterproductive but irresponsible, impeding the path out of poverty. If, on the other hand, natural assets backfire, then there is an argument for leaving them in the ground...

You might think that the worst that could happen would be for the revenues to be entirely frittered away. Yet we find worse: in the long term the economy severely contracts ... The resource curse, in other words, is predominantly a missed opportunity.

However, as Bebbington et al. (2008) have pointed out, there is an alternative view on the question of natural resources exploitation and governance. This second position shares with

the previous one the idea that the poor quality of institutions could trigger the resource curse effect “[in particular:] whether a fiscal social contract exists or not, on degrees of transparency, and on the quality of governance in general” (2008: 895). The difference with the stance *à la* Collier is that the latter does not pay enough attention to the long term process. Historically developed power structures cemented institutions that nurtured the raise of a rentier state. The same power structures skewed the use of revenues against social wellbeing. Those who adhere to a critical position question the “building the right institutions” argument by contending that it does not take into account the political element in its proper, strong sense (ibid.). By distinguishing between “the real politics of state formation and the *realpolitik* of mining investment” (ibid.), scholars have argued that both the IFIs and transnational corporations call “the right institutions” and “natural resources governance” to the type of rules that help a very discrete set of actors (the corporations and their local public and private allies). Further, by pushing for a technocratic process of design and adoption of the new forms of governance, the IFIs and TNCs, could be helping to keep in place the very same rentier state that plagued the developing world –and therefore unconsciously creating the conditions for the resource curse effect.

In contemporary Latin America, and in particular in Bolivia and Ecuador, the two positions above described have been accepted with enthusiasm, the subsequent debate has given raise to a third position, namely the “*neoextractivismo*” thesis. Latin American scholars, like Eduardo Gudynas (2009) and Alberto Acosta (Acosta y Schuldt, 2009), among others, have used the resource curse thesis to study mineral and oil based development in the two Andean countries, providing evidence that during the second half of the twentieth century, natural resource based growth did not translate itself into economic, social, political or human development. In addition, they have argued that the current Bolivian and Ecuadorian governments are promoting a new phase of natural resource exploitation based economic growth, and therefore creating the conditions for a new wave of environmental deterioration and intense conflict. Both Gudynas and Acosta describe this new wave as a differing from the neoliberal model in some important aspects, to be known: new contractual rules that give the state the upper hand *vis-à-vis* the transnational companies, in particular increased participation on royalties, new taxes, and provisions regarding environmental reparation; moreover, the new governments are answering the demands of the population for an expanded provision of social services, by using the resources coming from the extractive activities. Finally, the *neo-extractivista* authors have revived some old ideas advanced in the fifties and sixties by Marxist (Baran, 1957) and *Dependista* (Cardoso y Falleto, 1968) scholars on the question of mining and oil activities as creating “enclave”

economies. The *neo extractivista* thesis has been successful among those movements and intellectuals critical of the governments' mining and oil projects (see for example, Farthing, 2011, Chérrez, 2011), among other things because it provides them with a discourse that helps them to confront the Andean governments from a leftist position.

However, as we see it, the *neo extractivista* approach goes into a series of intellectual contortions in its attempt to reconcile its criticisms with its political sympathies for the governments. The *neo extractivistas* risk to ending up by producing two self-defeating positions. One leads to the false conclusion that the new leftist governments are mere reincarnations of the old myth of progress, and that their policies are simply a new form of the old “nationalism of the resources” which would end up producing “same (old) processes of production, similar power relations (structures), and the same social and environmental impacts of the liberal and neoliberal forms of extractivism” (Gudynas, 2009). But, despite those pessimistic fore views, the *neo extractivistas* prescribe that a progressive intellectual should give support to the new governments because, after all, they are sort of “compensating” the poor rural and urban populations with improved political access and by including them in the benefits of economic growth. Second, by not theorizing on social change, the *neo extractivista* thesis does not take seriously the arguments on the social construction of environmental sustainability made by political ecology scholars (Martínez Allier, 1991; Robbins, 2004; Bebbington, 2007), nor is helpful in thinking through the problem of institutional change in the area of natural resource governance.

The three positions –curiously- share an instrumental view of the state. The right-institutions position tends to equate the state with the government (Collier, 2010), and by doing so to ignore the complexities of the many interactions between the state and society. The critical political ecology approach, coming as it does from a neo-Marxist view of the state, sees the state as rather little more than a tool for the local and transnational capitalist class (Robbins, 2004), and the only relationship between the state and society that it pays attention is conflict, living aside the possibility of examining the construction of institutions that regulate natural resource use as a process of state building². Finally, the *neo extractivista* thesis in addition to its shared assumptions with critical political ecology sees institutional change as happening only in one direction (i.e., strengthening the power of the state as instrument of

² Bebbington et. al. (2008, 910) have advanced a more nuanced view by posing the question on what ways protest and activism may be putting forward new forms to regulate natural resources use.

the capitalist class) and not seeing the complex relationships that emerge in the consolidation of an *extractivista* development path³.

Pierson has proposed that attention to history in social explanation does not justify itself in either empirical or methodological grounds, but theoretical: “We turn to an examination of history because social life unfolds over time. Real social processes have distinctly temporal dimensions (Pierson, 2004:5).” We argue that the current time in the Andes is a moment in the unfinished history of state building, and we want to examine the processes that are happening right now in the area of natural resource governance, but with a question that pays attention to the different dimensions of state-building that are at stake, as well as the sequences of the changes that are occurring.

2. Contextualizing the emerging modes of natural resource governance in the Andes

In order to understand the current institutional innovations in the field of natural resources governance we should pay attention to the more general processes of state-building in Bolivia and Ecuador, and then relate them with the ways in which natural resources (both renewable and non renewable) have been put to use in order to achieve development in a broad sense. The question of development is not only the background of the policies of the current governments; it is the issue at hand in every single mayor economic decision that they have made, and provides the overall narrative of the transformations that the Ecuadorian and Bolivian governments are seeking (see Stefanoni, 2009 for Bolivia, and SENPLADES, 2009 for Ecuador). In fact, as the two governments have made explicit in numerous occasions, the new states that they attempt to create would not make sense if they were to be placed out of the overarching goal of building “new development models.”

From a historical perspective it is possible to identify four broad moments of state building in Bolivia and Ecuador during the twentieth century, all of them related with natural resources booms and busts. Roughly, these moments involve the early twentieth century (until the Great Depression), the postwar years until the early 1980s, the neoliberal years (in particular

³ I’m in debt with Benedicte Bull for this observation.

the 1990s), and the current phase. However, these phases evolved at specific points in time in Ecuador and Bolivia.

In Bolivia, from the 1900s until the 1930s a tin boom provided narrow regionally based elites of the means and instruments to expand the dominion of the state to most of Bolivia's current territory⁴, and build the basis of a recognizable modern state. The political and economic crisis associated with a bust of the international prices of tin during the thirties marked the decline of this first attempt. The National Revolution of 1952-1964 launched a new project of state building; this time expanding the state towards the inclusion of previously marginalized social groups, creating corporatist mechanisms for conducting state-society relations, and building a mass hegemonic party (the *Movimiento Nacionalista Revolucionario*, MNR). The abundance of fiscal resources in the hands of the nationalist governments thanks to the nationalization of the tin industry and high international prices made the new attempt rather successful for almost three decades. During the sixties and seventies military governments tried to overcome Bolivia's dependence on tin exports by pursuing ambitious projects of industrialization and modernization of the society. However, in the eighties a combination of high international indebtedness and low tin prices rendered those projects unviable. The subsequent economic and social crises –during the long delayed democratization of 1980-1985- forced the abandonment of the *nacional popular* project of state-building and its substitution by the *democracia pactada-neoliberal* project (Crabtree, 2008; Mayorga, 1999). The neoliberal governments of 1985-2002 enacted a series of reforms that reconstructed many key dimensions of state-society relations. In spite of this, they did not revive the old mineral (tin) based economy; instead these governments put their bets into the development of new export sectors, in particular soy and hydrocarbons (natural gas and oil) exploitation.

The Bolivian neoliberal policies moved in two contradictory directions. On the one hand, by democratizing the state they made room for a new set of social actors that moved from the outskirts of the state to its center –through the conquest of local and national governments and representation in Congress (Cameron, 2010; Zuazo, 2010). On the other, by limiting the state's capacity to mediate distributive and other development conflicts, neoliberalism proved itself unable to create a virtuous state-society articulation. State's authority remained highly heterogeneous, not strong enough to fill the holes occupied by some social

⁴ Loses did happen in the East of the country with the territories of Arce and more importantly the Chaco, and the expansion was highly uneven.

organizations, nor able to provide representation for the indigenous (urban and rural) populations, nor does guarantee in the long run the investments made by transnational company (Miranda, 2010). The *democracia pactada-neoliberal* project collapsed in the period that goes from 2002 to the election of Evo Morales in 2005 (Crabtree, 2010; Zuazo, 2010). The new government embarked itself into a new attempt of state building that has at its centre a renewed commodities boom –in hydrocarbons, and mining. In 2006 the Morales' government enacted a new hydrocarbons law that made possible a process of “nationalization” that has been described as “carried out with a view to improving the use made of the income generated by the oil and gas industry without proscribing the involvement of private capital through contracts ... a new business structure in which the state –through YPFB [*Yacimientos Petrolíferos Fiscales Bolivianos*] would take the lead” (Miranda, 2010). Some scholars see the newest state-building project as a revitalization of the old *nacional popular* project, with some important differences with regards to the social actors and ideologies that support it (Stefanony, 2010).

The Ecuadorian path to state building broadly resembles the Bolivian, but with important differences. In the first place, until the seventies, the booms were based in agricultural commodities (cacao, from 1860 to the 1920s; then banana from 1948 to the mid sixties). Second, and with the exception of the government of Galo Plaza Lasso (1948-1952), no civilian government of the twentieth century launched a serious program of state building aimed to the inclusion of the popular sectors (North, 2006); in Ecuador there was no equivalent to the MNR. The armed forces were the major actors of state building projects, first during the 1930s when they pursued new tasks of national integration and economic management, and simultaneously created relatively sophisticated governmental structures to deal with those responsibilities. As well as, later on the seventies when the *Gobierno Nacionalista y Revolucionario* (1972-76) launched an ambitious ISI program that also looked for an expansion of some elements of the welfare state.

In the 1930s the military governments, thanks to the support of key groups of the highlands-based landed/industrial elites and the urban middle class, actually managed to expand the industrial capacity of Ecuador's economy, by helping it to cope with the effects of the disappearance of cacao as its main export. The second, more ambitious project, of the seventies happened during an oil boom. The military government of Rodríguez Lara (1972-76) explicitly pursued a policy of “sowing the royalties of oil” (*sembrar el petróleo*) by investing them into infrastructure (ports, an oil refinery, roads, and telecommunications) and in loans and other policies that were meant to diversify the country's industrial base,

and improve its –and the agricultural sector’s- productivity. Although the achievements of this government remain contested (Conaghan, 1988; North, 1985), scholars agree that its main institutional legacy was on the field of natural resources governance. The Rodriguez Lara government and its successor (another military dictatorship known as *el Triunvirato*) established a close association between the state and transnational companies for oil exploitation, achieved a high participation of the state on oil royalties, and used them to improve the state’s fiscal resources.

One should differentiate between two phases of Ecuador’s military governments of the seventies; in the first phase (1972-76) a progressive faction of the armed forces controlled the state and pursued nationalist and inclusionary development policies, although without much support from the weak popular sectors; the second phase (1976-79) actually stopped some of those policies, and used oil revenues as warranties for international loans that were used in paying a bloated state sector, and as a source of cheap credit for a rentier dominant class. The basic institutions of a rentier state emerged in the second half of the seventies (Larrea, 2009). In 1979 the military handed over the rule of the new state to elected civilian governments, the impacts of the twin crises of high indebted and declining international oil prices put to test the ability of the governments of the eighties to cope with the inherited problems of the rentier economy: a slowly growing, oligopolistic and mostly inefficient industrial sector, the unresolved “agrarian question”, increasing rural and urban poverty, etc. The civilian regimes did not continue the project of state building and from 1992 onwards actually dismantled it. Like the neoliberal experiment in Bolivia, Ecuadorian neoliberalism failed to deliver either sustained economic growth or revitalized state-society relations, only the onset of a new commodities boom, starting at the beginning of 2002, provided the fuel for a renewed state building project. The first government that enjoyed a more comfortable fiscal situation was the administration of Lucio Gutiérrez, a former “insurgent” supposedly anti-neoliberal colonel that gained power heading a coalition made of sectors of the left, the indigenous movement and its own party. Gutiérrez proved himself unable to rule the country, and only in 2006, with the election of Rafael Correa, the state-building/national development project took off. Like its military ancestors of the seventies, the new government embarked itself in a new attempt for converting natural resource wealth into broad based development, using more or less similar tools, but in a radically changed social and international environment.

In light of the historical account we have just mentioned, we can say that state building in Bolivia and Ecuador roughly between the 1930s and the mid 1980s, progressed towards the

construction of a modern state. However, since the latter date and for the two following decades this evolution stopped and even regressed, only to be renewed in the first decades of the present century⁵. Modern statehood exists when at least three dimensions are integrated into a coherent whole: territoriality, administration, and command over resources, but in our countries even these minimums evolved unevenly.

2.2. Geography, the state and natural resources

The Andean states achieved control over their national territories only by the 1940s, in Bolivia after the Chaco War of 1932-1935, in Ecuador after the 1942 war against Peru⁶. However, this basic condition should not be confused with any real capacity of the Andean states to enforce its authority uniformly over the whole territory that they nominally presides, instead a sort of *modus vivendi* between the regions that made the national territory emerged. In Bolivia the now called “*Media Luna*” departments, located in the eastern lowlands, have constantly challenged the authority of the national state, seen as a creation of the highlands/western part of the country (the *Altiplano*) (Roca, 2008; Barragán, 2008). Likewise, although the National Revolution of 1952 aimed to incorporate the rural communities into a corporatist national order, it did not fulfill its goal; the state eroded the competing authority of the indigenous communities but did not substitute it (Cameron, 2010). In Ecuador, the three “regional economies” of the thirties –the Sierra Norte, Sierra Sur, and Coast- remained loosely integrated for the most part of the twentieth century (Maignushca and North, 1991), but the Ecuadorian state was somewhat more successful than its Bolivian counterpart in penetrating its rural areas, although no so much in the Amazonian lowlands where the state choose to share its authority and functions with oil transnational companies, and the indigenous organizations.

The administrative dimension of the state involves its capacity to administer its subjects. Between the 1930s and the 1980s the Bolivian and Ecuadorian states organized themselves to administer the most diverse aspects of the life of their subjects. Tax collection improved;

⁵ This evolution is by no means particular to our Andean cases; Whitehead has described it for the whole Latin American region (Whitehead, 2006, 91).

⁶ Even this statement could be doubted because the final settlement of the war, which defined the modern borders between the two countries, came only in 1998 after two small conflicts in 1981 and 1995.

better roads and telecommunications meant that data collection advanced. In addition, during the seventies, abundant fiscal resources provided by oil and mineral exploitation accompanied and supported the state's expanded provision of basic services and public goods. It also meant that the state was able to regulate a new aspect of society's life: its relationship with the natural environment. During these years, in both Bolivia and Ecuador, the state created national parks and natural reserves, and put in place an embryonic system of environmental governance; for example in Ecuador before 1936 no national park or natural reserved existed, and by 1968 only 2 areas of the country have been declared national parks, however by 1982 another 12 national parks and natural reserves were added to the list (Ministerio del Ambiente, 2006); the expansion of the Bolivian state to this domain was somewhat slower, and did not really take off until the end of the eighties (Ministerio del Medio Ambiente y el Agua, 2010).

The third dimension, control of resources, actually refers to two different aspects. The first encompasses the state's ability to tax its subjects. When compared with the 1930s both Bolivia and Ecuador made little progress in this area during their fifty years of self-organization. State revenues did increase, but they did so because of alternative source of state's control of resources, that is the state's capacity to collect royalties and taxes on mineral and oil exports. In this latter characteristic, both states excelled; in fact, as we noted earlier, state building came to depend heavily of the access that the two states conquered on royalties. The Bolivian National Revolution, thanks to the nationalization of the tin and oil industries, gave the MNR and its allies, the mining workers organized in the *Central Obrera Boliviana (COB)*, direct access to revenues by means of direct control over every aspect of the business; from 1952 to 1985 the state was the major economic player in Bolivia⁷. In Ecuador the two early agricultural booms of cacao and banana did not expand greatly the state's capacity to collect taxes, but in the seventies the creation of the state's oil company, *Corporación Petrolera Ecuatoriana (CEPE)*, as the national counterpart of the transnational company TEXACO allowed the state to be a key player on the oil sector, and gave the state access to unprecedented fiscal resources until the early eighties.

In both Bolivia and Ecuador, control over resources helped the state to make progress in their process of self-organization. However this positive influence was counter-balanced by the stimuli that increased access to royalties provided for the formation of rentier states. As

⁷ The MNR government created the national mining company (COMIBOL) and the state oil company YPFB.

Collier (2010) has noted, there is an inherent contradiction between the activities of tax-collection and royalties-collection; in the first case the state has to develop a series of capacities to identify the amount of wealth that its subjects possess and their annual income; in the second case –and specially when the main actor of the extractive activity is the state itself- the state has to concentrate in developing its capacity to transform the money that it collects from the outside world⁸ into the provision of free basic services to its subjects. Normally, international price booms favor the development of the second type of state's capacities to the detriment of its ability to collect taxes. That was exactly what happened with Bolivia and Ecuador during the fifties, sixties and seventies; in both cases, the tax base expanded, but thanks to their access to royalty-based huge fiscal resources. Nonetheless, the states' progress in the area of control of resources was relatively modest compared to what it would have been if their dependence of mineral and oil exports royalties would not had been so high. In fact, by switching away from tax collection, both states avoided domestic distributive conflicts, and instead created mechanisms for regulating the direct transfers of royalties' money into the pockets of the dominant and middle classes, and through less than universal social services, to some sectors of the popular classes.

To sum up, the trajectories of Bolivia and Ecuador to modern statehood were heavily influenced by their dependence on natural resource based exports. Indeed, the Andean states penetrated and constructed their national societies, but not in a universal way. Instead, the presence of the state and the dominance of formal institutions remained fragmented and selective. In Bolivia, both the National Revolution governments, and the military's counter revolutionary governments of the sixties and seventies organized state-society relations through corporatist mechanisms. In Ecuador, although no attempt to organize a corporatist state was made, the old *clientelar* state-society relations survived under the surface of a rational administration, and after the "Return to Democracy" of the eighties went back to full operation. In both countries, a set of hierarchically organized patronage networks gave coherence to state-society relations. A mix of mostly informal state-society interactions and formal institutions constituted the backbone of the modern state built before the rule of the Washington Consensus' governments of the nineties.

⁸ Royalties obtained through selling its mineral or oil exports in the world market are a direct transfer of money from the international markets to the domestic economy.

The royalties obtained from extractive activities provided the fuel for the every day workings of those states. By the early eighties both the state apparatus and civil society have organized themselves along a range of “gray” (formal/informal) practices. On the one hand, the overarching organization of the state agencies made them sources of jobs that were distributed through personal connections –or through collective inter-elite negotiations with groups socially or politically powerful. In Bolivia this pattern was created during the years of *cogobierno* (sharing of power) between the MNR and COB, and during the *pacto militar-campesino* (military-peasant pact) of the Barrientos’ years (1964-1969). In Ecuador, beginning in the 1950s quasi corporatist mechanisms articulated the economic groups and other various organizations of the capitalist class with the state. On the other hand, the presence of highly sophisticated pieces of legislation that mimicked the most advanced institutions of the modern states gave the rulers the resources that they needed to create “bags of efficiency” inside the bureaucracy (Evans, 2007).

Considering our preceding arguments, then how has natural resource governance evolved in Ecuador and Bolivia? We deal with this question in the next section.

3. Natural resource governance in Ecuador and Bolivia: A panoramic view

Lemos and Agrawal (2006) have argued that the contemporary forms of environmental governance came to exist in the Golden Age of capitalism (c.1948-c.1973); that is, during the years in which a consensual view on the role of the state in the economy predominated (Chang, 2003). During that quarter of a century, the capitalist states built a series of capacities (e.g. highly empowered sophisticated civil services, numerous regulatory agencies, etc.) that helped them expand their dominion over society at large. In the industrialized states of the North many of those capacities pre-dated the Second World War (Thelen, 2004; Tsuru, 1993), but during the post-WWII years the power of the state reached unprecedented high peaks.

In the seventies, the environmental consequences of the decades-long high rates of industrial growth began to be publicly challenged, not only in the advanced capitalist countries, but also in the industrialized socialist countries (Hochstetler, 2010). Nevertheless, given the prevailing consensus on the relative goodness of the state, it should not come as a surprise that the first environmental governance policies were predicated on the idea that an all encompassing *Leviathan* should and would be able to impose laws and practices that

will force the economic, social and political actors to cooperate in the rational management of natural resources and environmental conservation (Lemos and Agrawal, Heillbroner, 1974, Hardin, 1968). Therefore, during the seventies the governance of natural resources use depended on the state's ability to expand its domain to the relationship between society and nature. This pattern changed during the neoliberal era. In this last period, and accompanying "the demise of the state," new environmental governance practices incorporated forms of self-regulation of the corporate sector and individuals, which allowed a greater role for organized action of civil society groups.

The preceding account does fit partially with the processes that happened in Ecuador and Bolivia. However we should bear in mind the particular evolution of the question of natural resources governance in relation to broader processes of state building in our two Andean countries. The first aspect that differentiates our cases from the developed world is that neither Ecuador nor Bolivia was industrialized economies during the Golden Age of capitalism. Instead the two countries adopted ambitious development projects that depended heavily on their states' control over mineral and oil resources exploitation, and their respective high international prices (Morales, 2006, Klein, 2008, Larrea, 2009). In Ecuador, the military dictators enacted from 1973 onwards an oil policy that nationalized its exploitation, and expanded this model to mining; the government invested its revenues in an ISI development model. In Bolivia, between 1970 and 1976, the state's control of a good deal of the primary goods exports basket (tin, other minerals, agricultural products and natural gas), was also invested in developing the country.

Furthermore, the social actors that emerged out of the parallel processes of "inward looking development" and industrialization were very different from those found in the advanced capitalist countries. In Bolivia two popular sectors have organized themselves around powerful unions: the peasants into the *Confederación Sindical de Trabajadores Campesinos de Bolivia* (Syndicate Confederation of Peasant Workers of Bolivia, CSTCB), the mining (and less so manufacture workers) into the *Central Obrera Boliviana* (Bolivian Worker's Central, COB). Since the National Revolution of 1952 the two sectors, in alliance with the middle class, gained control over key natural resources: land for the peasant movement, tin and oil for the working class. The long and radical land reform that began in the fifties allowed both indigenous communities and individual peasants to gain access to land, and eliminated the old hacienda system, thus removing the power base of the old landowning elite; further the *pacto militar-campesino* of the sixties transformed the peasants in one of the pillars of the Bolivian state. Thanks to the creation of two big corporations in mining and hydrocarbons

extraction (COMIBOL and YPFB, respectively) the workers had obtained direct participation in the profits of the export economy, and indirect access to the states fiscal resources through public jobs and the benefits provided by the state services.

The situation began to change in the seventies, after a short period of radicalization of the revolution –from 1969 to 1971- a new generation of military officials came to power, and reversed the course. In August 1971 General Hugo Bánzer, after a bloody coup, conquered power just at the same time that an international commodities boom began to reach the Bolivian economy. The Banzer administration initiated an ambitious program of infrastructure building, invested in new mining developments, and gave cheap credits and subsidies to the emerging agricultural export activities of the Santa Cruz (east of the country) region. At the same time, the dictatorship excluded COB from the government, and reduced the role of the peasants as supporters; in 1974 through an “*autogolpe*” (self-coup) Banzer formed an exclusively military-technocratic government that substituted wealth distribution and investment in expanded social services for natural resources exploitation as the engine of national development (Klein, 2008).

The evolution of Ecuador during those years is similar to the Bolivian developments, however in Ecuador there were not equivalent popular organizations, nor a national-popular pact. The working class remained as incipient and fragmented as it has been between the thirties and the sixties. The peasant movement reached its peak of organization and mobilization by the early sixties, however a preemptive agrarian reform, although moderate as it was, managed to lower the distributive pressures of the rural sectors, and no national peak organization formed during those years. In 1973 the beginning of oil exports, in just in time for the oil-price shock, meant a sudden expansion of both state and private sector activities. Unlike its Bolivian counterparts the armed forces in Ecuador did not have to deal with popular opposition, nor have to court their support; instead, and after a brief adventure with a nationalist model of development, the military dictatorship turned to royalties and easy access to cheap “petro-dollars” credits to support the industrialization of the country and to expand state services to a burgeoning urban middle class.

An additional factor should be taken into consideration, in the two countries; the military governments of the era not only pursued rapid industrialization they also saw to complete the process of building a national society. Like earlier modernizing elites, but armed with a much more powerful state apparatus, the military governments imposed a project of rationalization and modernization of their societies, in a package that could be characterized

as “hypermodern” (Scott, 1998).

Many elements of the contemporary social (and political) construction of the natural world in Ecuador and Bolivia originated during those years. In first place, the states privileged and highly dependent relation with natural resource exploitation put them in a clashing trajectory with populations that inhabited ecologically sensitive environments (Allier, 2011). Second, Ecuadorian and Bolivian civil societies were strongly organized in public and private sector unions and peasant movements, but these popular sector organizations differed in their interest: urban based public employees and working class unions, along with domestic capitalist, and transnational companies shared a common interest with the military governments in a successful industrialization; rural organizations, in contrast, were interested in land redistribution, a strengthening of the peasant economies, cultural and environmental preservation, which were threatened by the very same policies that helped the urban sectors (Thorp, 1998; North, 2003; Socoruco, 2004, Klein, 2008, Albo, 2008). To make things worst, the military governments had suppressed the public sphere, and in consequence the citizens where unable to challenge environmental policies that constructed the natural resources –and the environment as a whole- as mere tools for economic growth and modernization (Martinez Allier, 1991). International conservationist public concerns made only a moderate place in the agenda of the military governments of the era, as reflected in the creation of national parks and natural reserves, but that was it. The state-centered governance of natural resource use was straightforward subordinated to the goals of rapid economic growth, accelerated industrialization, infrastructure building, and urbanization.

The effects of the onset of the Long Down-turn of the capitalist economy (Brenner, 2009) in the Andean countries have been also very different to those suffered by the advanced capitalist countries. In the latter, the late seventies-early eighties crises of inflation and contraction of the demand for industrialized goods produced a set of economic adjustments that, although diminished the capacities of the states to guide their economies, did not destroy these capacities, nor provoked an overall collapse of the institutions of government. In Ecuador and Bolivia, those same economic crises lead to the overall abandonment of their development models, and to the virtual evaporation of the states’ capacities to provide basic social services. In addition, not only that the military regimes collapsed, but also the civilian governments that replaced them proved themselves unable to build new consensual political institutions (i.e., representative political systems, new state-society interactions,

political stability, etc.) (Andrade, 2008; Whitehead, 2006).

Agrawal and Lemos (2006) have pointed out that in the advanced capitalist countries, the crises made space for a new set of actors and their questionings and demands for environmental sustainability. Developments that further down the road lead to the creation of public-private forms of environmental governance, which they call “hybrid”. The Andean processes revealed themselves quite different.

During the neoliberal years both the dominant classes and the reconstituted popular sectors, in conjunction with the re-invention of the states under a minimalist form, produced a political order in which conflicts for the control of the state intensified, and the state apparatus fragmented. It was under these conditions that the emergent issues of environmental governance were incorporated into the public debate and the governments’ agendas. A broad array of actors, using a large repertory of means, pushed for the development of formal and informal public/private practices of natural resource governance: functionaries of international organizations, international development agencies, local and international NGOs, transnational companies, domestic entrepreneurs, regional elites, popular sector organizations, etc.

Two broad trends emerged in Bolivia and Ecuador, democratization and the dismantlement of state capacities. In the first country the collapse of the old rentier state happened in conjunction with an initial and failed attempt of democratization. In 1979-80 the *Unión Democrática Popular* (UDP), a left party backed by the still powerful COB, won the first democratic elections; but the failure of this government in revitalizing both the old nationalist pact of shared power and the economy, gave the chance for a reactionary fraction of the military to stage a coup. Popular opposition, international pressures and the excesses in which the García Mesa government incurred, prolonged political instability until 1982. The new government, headed once again by a coalition of the left (this time the progressive fraction of the MNR and the leftist party MIR) inherited an economy in disarray, with a state that has moved from the relatively mild rentier form of the fifties and sixties to a full-fledged predatory form. At the core of the long depression in which Bolivia had fallen was the state sector; the patronage networks have proliferated, making the old neo-patrimonial state dysfunctional; the state companies (YPFB and COMIBOL) instead of creating money for the state have become one of the principal sources of state expenditures. To make things even worse, an extremely high external debt coupled with the collapse of the tin industry triggered extremely high hyperinflation of 8,170% in 1985 (Klein, 2008, 271).

These circumstances marked not only the end of the old workers/progressive parties dominated political order, but also the end of the tin era in Bolivia. In 1985 the so-called “historic” MNR (center-right fraction) won the elections with the support of *Acción Democrática Nacional* (ADN), the new government reached an agreement with MIR and the other parties and launched a project of ambitious political and economic transformations, known on its political side as *democracia pactada*, and on its economic facet as *Nueva Economía Política*. For the next seventeen years two overarching goals dominated Bolivian life: a lengthy, elite controlled process of democratization under the framework of stability provided by MNR, MIR and ADN, and the abrupt transformation of the economy out of mining and into natural gas and oil extraction, and agricultural exports (soy) from the Eastern departments.

In Ecuador both the trajectory to democratization and political stability were easier than in Bolivia. The military left the political scenario in 1979 and did not come back until 1997. Neither the debt crisis of 1982, nor the disruption of the oil exports in 1987, nor the low international oil prices of those years did much to transform Ecuador’s oil economy. If anything oil exploration, mainly in the form of TNCs-CEPE (later PETROECUADOR) joint ventures, went on more or less undisturbed, in fact the alliance of the state with the transnational companies deepened in despite of the rising to power of governments with disparate ideologies –ranging from nationalist-center left leaning to center-right pro international free market. But the shortage of oil revenues, decreasing oil and industrial production and overall low prices disrupted the state’s capacity to provide basic services. In addition, the end of the oil boom at the beginning of the eighties left a legacy of a highly distorted urban-based economy, which was unfavorable to a distributive model of development.

Without the flow of resources coming from the external sector, the democratic governments would have had to turn to improved tax collection, in order to pay for the everyday workings of the state; but the economic and political power of the capitalist classes made this road unavailable. Instead, Ecuador’s governments turned to the new dominant wisdom of cutting state expenditures by reducing the provision of services, and cutting down the public sector. Slowly a neoliberal model emerged out of the structural adjustment packages of the eighties, and in 1992 a conservative government imposed a radical package of neoliberal policies. By this time, however, the accumulation of conflicts between the oil industry in the Amazonian region and the state and rural populations living in the highlands had given rise to a powerful indigenous movement. The disorganization of state-society relations resulting from

the long path to neoliberalism, the emergence of the indigenous movement as a strong, decisive, political actor, and the collapse of the parties of the eighties inaugurated a long period (1997-2005) of instability and politics in the streets that rendered unviable almost every type of governance.

To resume, natural resources governance changed in the two countries through a series of different tensions, conflicts, and paths. In the first place, in Ecuador the tensions between the extractive industry and the Amazonian populations helped to forge an alliance between them and new urban based NGOs and other civil society organizations of the incipient environmental movement; a development that was already well on its way when the neoliberal era took off. In Bolivia, the disappearance of COMIBOL and the abandonment of the tin industry gave rise to a different type of unions organized in the coca sector and on the basis of the conflicts between lowlands communities and the emerging landlords in the eastern parts of the country; a new powerful movement crystallized around the time that neoliberalism intensified in Bolivia. Ironically, this evolution pushed the environmental conflicts in the official agendas of the two countries.

A second relevant evolution happened in parallel, the pressure of international actors –most notably the UN, the IFIs and NGOs- helped moved the governments through a slow change from conservationist approaches to ecological governance views. Third, these two transformations created a new set of policies that allowed for the creation of mechanisms of public/private natural resource governance. On the one hand, the states gave new impulse to nature's preservation; in Bolivia almost all off the existing natural parks and ecological reserves were created from the second half of the eighties onwards; in Ecuador 40% of the parks and reserves of today's national system were created after 1992. At the same time new mining and hydrocarbons laws tried to regulate the different phases of the extractive industries, and environmental assessments were made obligatory; on the private sector, some transnational companies operating in Bolivia and Ecuador implemented corporate responsibility programs.

The new era saw a shift of power from the national states to the transnational corporations. This movement was domestically supported by the technocratic elites that made part of the neoliberal governments in the two countries. Convinced that during the period of inward looking development the state has supported a rentier, inefficient, industrial sector, and that the state enterprises were by definition death weights, the Bolivian and Ecuadorian governments enacted policies of liberalization of the international trade, and privatization or

elimination of the old state-owned corporations. Bolivia went further down the road of the Washington Consensus policies to the extreme of privatizing basic services, like water provision, only to reverse some of those decisions in the face of popular uprisings. In Ecuador, confronted by a strong urban and rural opposition weak governments did not make progress on privatization, but actively disinvested in public services and in the state's oil company (PETROECUADOR). In addition the ruling elites of Bolivia and Ecuador, with the help of the World Bank (Bridge, 2004), tried to attract direct foreign investment in new mining and oil activities, to do so the states enacted a series of laws and regulations that leave almost all the phases of the use of natural resources in the hands of domestic and transnational companies.

Therefore, three trends characterized the post-state era of natural resource governance in Bolivia and Ecuador: the emergence of national actors with environmental claims that were able to make both national and international alliances; the beginning of a series of experiments for dealing with public but non state forms of natural resource governance; and, finally, the state encouraged a larger role of the private sector in areas formerly reserved to the state. These trends interacted among themselves and with the general process of disorganization of state-society relations. The result was an intense cycle of social conflict. In Bolivia the indigenous and peasant movements coalesced around the struggles against the privatization of water provision in the *Guerra del Agua* of 2002, and then, propelled by disputes on the use of natural gas revenues, unstoppably moved to the center of the Bolivian scenario until they conquered power in 2005 (Zuazo, 2010). In Ecuador, the disputes lasted longer, and natural resources did not have the same prominent place, although distributional and environmental justice demands were present in the demands of the indigenous and environmental movements. Be as it may, the end result was the same, the neoliberal elites were expelled from power and a new set of modernizing elites came to rule the country.

The new anti-neoliberal governments that came to rule Bolivia and Ecuador coincided with two major domestic and international changes. Internally, the two governments originated in the social movements-lead cycles of anti-neoliberal struggles, and therefore in the empowered presence of environmental and indigenous demands and actors. Internationally, two contradictory developments happened almost simultaneously: the prices of minerals and hydrocarbons reached historic highs thanks to the growing demand of China (Fernández Jilberto and Hogenboom, 2010); and, renewed international pressures that accompanied the growing global awareness on climate change and other environmental issues (Collier, 2010).

The new governments embarked in a rather troublesome path of reconstruction of the states' capacities to relaunch development, and building new rules for natural resources use. In theory, these twin goals could be reconciled. In fact, a new constellation of actors could increase the chances for such a possibility to become a reality.

Looking at the long-term evolution of natural resources governance in Bolivia and Ecuador three phases are clearly identifiable. From the fifties to the mid eighties state building and natural resources governance went hand in hand, and both were subordinated to the encompassing goals of national integration and economic development; moreover, the set of actors during these years was rather discrete and for the most part national (i.e. state elites, organized dominant classes and popular sectors, even the transnational companies operated in the two countries inside the framework of industrial substitution, or in association with state companies). The scenario changed during the second half of the eighties and the nineties. The state retreated from its role in the economy, the extractive state companies were either eliminated or their role diminished in favor of transnational companies, certainly they lost their places as crown jewels; national development and national integration fell in disgrace and were abandoned as goals worth pursuing. In addition, the private sector underwent major transformations that helped empower the transnational companies and their local allies. Simultaneously, the social soil for progressive coalitions eroded, with old actors fading away (i.e. the old communist and socialist parties, as well as working and middle class unions), and new actors emerging (in particular the indigenous, peasant, and environmental movements). In the transition between two major commodities booms the Bolivian and Ecuadorian states tried to forge new natural resources governance modes, attracting foreign investment and preparing the ground for a new phase of extractive industries lead export development, but the social tensions bring this era to an abrupt end. Finally, in the current scenario, many of the actors, conflicts, and opportunities for the extractive industry remain in place, but they have to deal with a new generation of modernizing elites that seem to be reviving the old rentier states of the last century.

Extractive activities involve at least five different stages that lend themselves to state regulation: the discovery of the mineral and hydrocarbons reserves, the exploitation of the resources, unavoidable production of social and environmental costs, profit making through international trade, and the impacts that they have on the country's economy. Collier has suggested that a good way to assess natural resource governance in a given country is to look at how the state regulates each of those phases. We add to his perspective a description of the actors involved in either setting up those regulations, or that struggle for

changing them once they were adopted. Taken together these aspects enrich our understanding of the modes of natural resource governance that prevailed in our cases and their evolution.

Tables 1 and 2 shows the institutional changes that happened between the different stages of the development of natural resource governance in the Andean countries.

Table 1: State-lead governance (early 1950s – mid eighties)

Phase of extractive operation	Governance institutions	Actors
Discovering	State regulated	State companies TNCs
Exploitation	State regulated	State companies joint ventures with TNCs
Management of social and environmental costs	Unregulated No management	State agencies and TNCs
Participation in profits / revenue use	State participation / discretionary use. No public supervision	State officials, technocrats, dominant class and popular organizations.
Management of economic vulnerability	No management. Quick economic growth, then recourse to international credits.	State officials, dominant class organizations

Table 2: Non-state centered governance (mid eighties – 2005)

Phase of extractive operations	Governance institutions	Actors
Discovering	Partial de-regulation, the state kept for itself property rights	TNCs
Exploitation	Partial de-regulation. State companies were taken out of the picture	TNCs, occasionally in joint ventures with State owned companies (SOTEs)
Management of social and environmental costs	Partial regulation, the states adopted the self-regulation and corporate responsibility ideology of the TNCs.	TNCs, affected communities organizations and their national and international networks raised environmental justice issues.
Participation in profits / revenue use	State royalties and other forms of profit sharing diminished. Taxation of profits became the main mechanism of revenue collection. Weak or no public supervision	TNCs, state agencies, companies founded "community development programs"
Management of economic vulnerability	Slow growth of the extractive sector left unsupervised	State agencies, social movements entered the picture

As Tables 1 and 2 make clear, the shift from state-lead governance to new public-private (hybrid) institutions make room for a plurality of actors to participate in the making and enforcement of the new roles, but the power relations among these actors were asymmetrical. The change empowered the transnational companies and its local allies *vis-à-*

vis the state and the popular sectors. In addition, and given the sharp reductions in the states' capacities to collect taxes and enforce compliance with environmental rules, the state was forced to concede a good deal of its authority to the companies and the local communities. Finally, a new set of international actors entered the picture. International networks of activists provided key symbolic and material resources to the communities in conflict with either the TNCs or the state –or, often with both. During these years, then, both top-down international pressures and bottom-up transnational networks further eroded the authority of the national states (Bebbington, 2009, 2007).

The actors currently pushing for institutional changes have to deal with two historical legacies. The first and oldest is the structural dependence of the state and the economy on rents, and the ideological background of the old nationalist ideology that still provides legitimacy to state's actions (Stefanony, 2010). The second and more recent is the need to reconstruct the capacities of the state to regulate the economy in general, and the extractive sector in particular, and to address power asymmetries.

4. The case studies: Bolivia's and Ecuador's current attempts of institutional building

From the onset of their mandates Evo Morales in Bolivia (2006) and Rafael Correa (2007) have pursued two major tasks: to reconstruct the national state apparatus, and to change state-society relations. The two presidents chose a fast track for achieving those goals: they called for plebiscites to abolish the ruling constitutions, elections for constitutional assemblies that wrote new constitutions, and referenda for the enactment of the new constitutions and to extend the presidents' mandates. These rapid changes took three years to be implemented; but with mandates extended for a second period and enhanced powers the presidents have plenty of time to pursue further changes. In parallel with these changes, the parties and movements that took them to power endured transformations that in turn strengthened the power of the presidents (Stefanony, 2010, Zuazo, 2010). These latter changes happened after the new governments' original power coalition had enacted formal institutions that attempt to redress the power imbalances between the TNCs and local communities.

After the first round of institutional innovations, the Bolivian and Ecuadorian presidents

found themselves trapped among contradictory pressures. The constitutions ordered the governments to move in the direction of ambitious projects of national renovation, and alternative modes of development and gave them enough power as to quickly do so. However, the demands for reconstructing basic state's capacities, and the presidents' needs to buy broad social support moved them to a different direction. In the past few years a new set of institutions that regulate natural resources use began to emerge.

In Ecuador the government moved along two contradictory directions. On the one hand adopted a progressive international position in global environmental issues, and launched an original initiative to keep the oil on the ground, the *Yasuní-ITT* project. On the other the government adopted a new set of rules for allowing large-scale mining in Ecuador, and renewed the old path of state's dependence on oil extraction (Acosta and Schuldt, 2009). These latter choices try to solve Ecuador's need to construct a post-oil based economy (SENPLADES, 2009). In Bolivia, Evo Morales's administration resembles its Ecuadorian counterpart: progressive international positions, and simultaneously the revitalization of the old rentier state, this time around hydrocarbons exports. Table 3 summarizes this more recent evolution.

Table 3: Emerging governance (Since 2006)

Phase of extractive operations	Governance institutions	Actors
Discovering	Strong, rapid re-regulation. Revival of SOTEs	State sometimes in joint ventures with TNCs
Exploitation	TNCs sometimes in joint ventures with SOTEs	TNCs and SOTEs. Conflicts with local communities
Management of social and environmental costs.	Mandatory environmental assessments, weak mechanisms for consultations with local communities. In Ecuador no parliamentary supervision	TNCs, state agencies, local communities and their domestic and international networks.
Participation in profits / revenue use	Increased state participation through royalties and profit taxes. Discretionary use with no public supervision (?)	State officials, possibly other local actors and popular organizations (?)
Management of economic vulnerability	Unknown	State officials, possibly other local actors and popular organizations (?)

The accumulated knowledge on political studies and political ecology made the construction of the first tables relatively easy. The third one shows that there are significant gaps in our knowledge with regards to the more recent period. We postulate that these gaps could be

filled by a combination of a historical comparative study of Ecuador's and Bolivia's original moment of creation of natural resources institutions, a second study on the *Yasuni-ITT* project, and a third study focused on current developments on natural resources use in Ecuador's mining sector and Bolivia's hydrocarbons. Taken together the three studies will help us to analyze the directions in which these governments move, the force of historical legacies, as well as to precise what are the original responses that emerge in the current conjuncture. Finally, they will help us to enrich the description of the emerging institutions by sorting out from the plurality of actors that take part on the game of institutional change those who are the key players and their relations between themselves. In what follows we describe the first two studies. The third one will be an expanded version of the current document.

4.2 State building and natural resources governance.

During the 1950s new projects of state building took off in Ecuador and Bolivia. There are numerous parallelisms between the two countries: natural resources boom financed them; initially new civilian governments adopted them and later military dictatorships given them continuity. However, the processes also differed along many dimensions. We will explore the hypothesis that the nature of the resource boom –and its associated power structures– accounts for those differences. In Ecuador we will examine in detail the process of state building that took place during the banana boom of 1948-1961. We will compare this project to the Bolivian National Revolution under MNR (1952-1963) to illuminate the following aspects:

The way in which the state dependence on income generated by the agricultural sector helped to preserve the interests and material bases of the traditional landowning class in Ecuador.

However, we will argue that those same process made possible for the Ecuadorian state to build early natural resource governance institutions, and capacities to guide the economy which have been historically absent in Bolivia.

4.3 The Yasuni-ITT initiative.

In 1972 Ecuador became an oil exporter. Since then oil has been the centrepiece of the national economy, accounting for 57% of the country's total exports (2004-2010). Oil export

revenues account to an average of 26% of the State revenue during the 2000 - 2009 period. This dependence on oil has, however, brought about serious economic, social and environmental difficulties.

Large petroleum reserves have been recently confirmed in the ITT field, located within the Yasuni National Park in Ecuador, regarded as the most biodiverse hotspot in the Western Hemisphere, and home of two isolated indigenous cultures. The Yasuni-ITT Initiative was presented by President Correa at the UN Assembly in September 2007. In August 2010 Ecuador and UNDP signed an international agreement to constitute the Yasuni Trust Fund, under UNDP administration. Ecuador commits itself to keep indefinitely the ITT oil reserves unexploited, if an international contribution of at least 3.600 million dollars will be raised in 13 years, and UNDP will administrate the fund, assuring the transparency and effectiveness of the investments, which will be allocated exclusively on renewable energy facilities, energy efficiency in consumption, avoided deforestation, reforestation, social development, and research.

The Yasuni-ITT Initiative opens new ways of climate change mitigation, by keeping unexploited fossil fuel reserves in biologically sensitive regions in developing countries, and simultaneously promotes biodiversity conservation as well as equitable human development. The Initiative may be replicated by megadiverse developing countries with fossil fuel reserves in biologically sensitive areas, such as Brazil, Colombia, Costa Rica, Democratic Republic of Congo, Ecuador, India, Indonesia, Madagascar, Malaysia, Papua New Guinea, Peru, Bolivia, the Philippines and Venezuela.

The research objectives are:

Consistently summarize the content, financial structure and original contributions of the Yasuni-ITT Initiative, including their conceptual basis.

Define a chronology of the most important events in the international and national promotion of the Initiative.

Analyse both its economic feasibility and international replicability.

Carlos Larrea has been the technical coordinator of the Initiative and one of its most

important designers. The methodology will be based on a systematic revision of the relevant documentation and additional interviews with the most relevant actors.

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