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Politics and the PRSP Approach:

Bolivia case study

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This paper forms part of a broader study of the political dimensions of the Poverty Reduction Strategy Paper (PRSP) approach, which was commissioned by the PRSP Monitoring and Synthesis Project, a DFID-funded project based at the Overseas Development Institute, London. The study examines how the PRSP approach is interacting in practice with domestic political processes and what this implies for the trajectory and sustainability of the approach in low-income countries. The research team on the study comprised Alison Evans, Laure-Hélène Piron, David Booth, Tim Conway, Erin Coyle, Zaza Curran, Ruth Driscoll, Kate Hamilton, and Andy Norton. Professor Rob Jenkins acted as peer reviewer in the early stages of the study. The views expressed in this paper are those of the author and do not reflect DFID policy.

Acronyms

| | |
|---------|---|
| ADN | <i>Acción Democrática Nacionalista</i> |
| ASP | <i>Asamblea para la Soberanía de los Pueblos</i> |
| CIDOB | <i>Confederación Indígena del Oriente Boliviano</i> |
| COB | <i>Central Obrera Boliviana</i> |
| CONDEPA | <i>Conciencia de Patria</i> |
| CSO | Civil society organisation |
| CSUTCB | <i>Confederación Sindical Unica de Trabajadores Campesinos de Bolivia</i> |
| CVs | <i>Comités de Vigilancia</i> |
| DFID | Department for International Development |
| EBRP | <i>Estrategia Boliviana de Reducción de la Pobreza</i> |
| GNP | Gross National Product |
| GNTF | <i>Grupo Nacional de Trabajo Para la Participación</i> |
| HIPC | Heavily Indebted Poor Countries Initiative |
| IFIs | International financial institutions |
| IMF | International Monetary Fund |
| JSA | Joint Staff Assessment |
| LPP | <i>Ley de Participación Popular</i> |
| MAS | <i>Movimiento al Socialismo</i> |
| MIR | <i>Movimiento de Izquierda Revolucionaria</i> |
| MNR | <i>Movimiento Nacional Revolucionario</i> |
| MTEF | Medium-term expenditure framework |
| NFR | <i>Nueva Fuerza Republicana</i> |
| NGO | Non-governmental organisation |
| ODI | Overseas Development Institute |
| PP | Popular Participation / <i>Participación Popular</i> |
| PPA | Participatory Poverty Assessment |
| PRGF | Poverty Reduction and Growth Facility |
| PRI | <i>Partido Revolucionario Institucional</i> |
| PRSP | Poverty Reduction Strategy Paper |
| PRSC | Poverty Reduction Support Credit |
| SAFCO | <i>Sistema de Administración Financiera y Control Gubernamental</i> |
| SCM | Social control mechanism |
| SWAp | Sector-wide approach |
| UCS | <i>Unión Cívica Solidaridad</i> |
| UDAPE | <i>Unidad de Análisis de Políticas Sociales y Económicas</i> |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| USAID | United States Agency for International Development |

Executive summary

Several issues around PRSPs remain controversial. One of the most disputed and least researched regards how PRSP processes may impact on broader processes of political development in a country. It is certainly wrong to assume that the effects are necessarily benign, yet we need careful study of a country's political trajectory before concluding that because PRSPs are donor-initiated and somewhat technocratic exercises, they will necessarily do harm in the ways suggested by some recent studies.

This case study of Bolivia addresses the political development implications of both the first National Dialogue and PRSP process in 2000, and the current process in 2003–04. It sets out the challenges of political development in the country, referring to historical legacies, medium-term trends and relevant policy-reform agenda from the last decade. It then considers how the political background – both basic structures and short-run circumstances – affected the possible scope and character of the 2000 process, and the options announced for the PRSP revision. The paper develops an argument about the ways in which the 2000 process engaged with the fundamental challenges facing political development, and the degree to which the process had relevant impacts, directly or indirectly. We are able to make only some highly tentative and provisional observations about 2003–04, since the process is incomplete.

Challenges of political development

The paper suggests the need for a multi-layered understanding of political development, embracing secular, long-term and recent changes. Various historical factors are still relevant, including ethnic divisions, a weak yet, in several respects, over-centralised state, and patterns of clientelist and 'prebendal' politics that have characterised both constitutional and military regimes since the 19th century. In its current form, representative democracy has to its credit a functioning party system. However, political parties and both the executive and legislative branches of government have limited policymaking capabilities. This reflects, among other things, the prebendal orientation of most party competition and coalition-building, and the lack of a permanent senior civil service.

On the other hand, social protest movements are challenging governments and their policies in increasingly dramatic ways. The leadership of the national-popular revolution of 1952 handled the new power of urban and rural unions by coopting them, and similar practices were followed by military governments in the Cold War era of the 1960s and 1970s. Since then, mining and urban labour have both declined but the peasant union movement has become stronger, more autonomous and more ethnically conscious. This has an important positive side, but the negative side is a tendency for policy dialogue to take extremely crude and quite violent forms. The need for mechanisms to bridge the gulf between mass protest and the official policy process, so that policy dialogue leads to real improvements, is the fundamental challenge of political development in Bolivia today.

Recent reform efforts have tried to address different aspects of this challenge, with mixed results. Most important and most successful was the Popular Participation (PP) initiative of 1994, which instituted democratic municipal government on a nation-wide basis for the first time. As well as extending the capacity of the state to provide basic services and infrastructure in rural areas, it attempted to combine representative and traditional Andean principles of democratic control. One hoped-for outcome was to create a new institutional layer and a new territorially defined interest-group to defuse the sharp conflicts between governments and functional interest groups.

The first PRSP

There were three more or less significant national consultations in Bolivia under the Banzer-Quiroga presidency of 1997–2002: two National Dialogues organised by the government, and the Jubilee 2000 National Forum. The 2000 National Dialogue that produced the PRSP, the *Estrategia Boliviana de Reducción de la Pobreza* (EBRP), was deliberately focused on the municipalities, and undertook a relatively light but geographically very comprehensive exercise at this level. Although regional consultations and national round tables also took place, there is some truth in the observation that this process both excluded some big players and avoided some relevant issues. This happened partly because the conjuncture of the middle months of 2000 witnessed what were regarded at the time as unprecedented outbreaks of social protest. However, it was also in part a corollary of the decision by the Vice-President and his team of advisers to use HIPC funds and the opportunity of the National Dialogue to consolidate the institutional and distributional gains from Popular Participation.

This, in fact, emerges as the principal gain from the 2000 process, and its most important impact from a political development perspective. The process did not help directly to address what we identify as the fundamental political development challenge in Bolivia, but it may prove to have contributed indirectly. It was also not particularly successful in setting a framework for policy action and improvements in the aid relationship. It produced an elegant and consensual PRSP, but one that was not well prioritised. In any case, the mechanisms did not exist for translating the agreed priorities into spending plans – except in the case of municipal spending of HIPC and other funds.

We place the principal emphasis, therefore, on the way the Dialogue and the resulting July 2000 legislation both entrenched a very progressive distribution formula and contributed to an important but not yet consolidated institutional reform. A related effort to institutionalise an ambitious stakeholder monitoring arrangement, or social control mechanism, is also of interest, but is unclear how useful and sustainable this has been.

Challenges and opportunities in 2003

The difficult political conjuncture of 2000 had a major effect on the course and results of that year's PRSP process. In 2003, when a new National Dialogue and a revision of the EBRP were legally required, the circumstances were more difficult still. The economy had not yet recovered from the recession caused by the collapse in Argentina. Meanwhile, the political panorama had been transformed, not only by a further evolution of the trends described above, but also by the striking electoral success of the political party led by the coca growers' leader, Evo Morales.

The political advances of the last few years by Morales' *Movimiento al Socialismo* (MAS) are a major historical landmark for Bolivia, giving this country of indigenous peoples its first legislature with a definite indigenous majority. The challenge to political development has arisen in part as a result of the crude radicalism of the anti-globalisation political programme of the protest movement and MAS, its political arm. More particularly, it has arisen from the leadership's continued preference for pursuing this agenda by means of highway blockades and other forms of extra-parliamentary mass protest. This interacts in a damaging way with the government's weak policy capacity and its inflexibility on certain issues, such as the US-imposed coca-eradication policy.

So far, the outcome has included two large outbreaks of protest, rioting and repression, one in February and one in October 2003. Each was unprecedented in its violence and political

ramifications. The February events led to a restructuring of the government and the budget; the October upheaval resulted in over 60 deaths and brought in a new president committed to governing without parties.

This is the context in which National Dialogue II is being organised. The government was committed from the outset to giving the second PRSP a greater orientation to production and employment-generation. It has also made some interesting proposals for focusing the policy debate around the constraints on a limited number of ‘productive chains’ (commodity chains) identified as having particular export potential and strong employment effects, which appears a sensible way. The hope is to generate not just a new document but also a set of enforceable ‘compacts’ – agreements to undertake specific actions – between branches of government and private or social actors. We suggest that the strong and practical focus being given to the debate does not mean that it is less important to take time and effort to draw into it some of the big guns of the protest movement.

As a result of last year’s events, the timetable of the PRSP revision process has slipped from 2003 into 2004. After October, it was agreed to include in an expanded Dialogue agenda two of the principal demands of MAS: the holding of a referendum on the export of gas to the US and the convening of a constituent assembly. However, the mechanisms for doing this have not been made clear. The 22-person National Directorate coordinating the process is still working to the original agenda. If this works to any significant extent, the effects on political development will be modest but positive.

PRSP politics as both structure and conjuncture

Analysis of the Bolivian experience suggests that PRSP processes can have significant and positive effects on a country’s political development (so long as only reasonable expectations are entertained). Another finding that may be of wider interest regards the importance of understanding political *conjunctures* (the short and medium-term joining together of forces and circumstances) as well as long-term political structures and trajectories. An implication for donors is that they should consider investing in the sort of analysis capabilities and institutional memory that this implies they will need if they are to position themselves effectively in PRSP processes.

1. Introduction

1.1 PRSPs and political development

Few recent events in the field of international development have attracted as much debate as the PRSP initiative. Opinions differ about the degree to which this addition to the conditionality framework for aid to the poorest countries represents a significant change. Some observers remind us that the effort to enhance national ownership of policy reforms through PRSP processes is firmly based on a decade or more of research and experience.¹ Others doubt whether PRSPs have altered the fundamental power relations between poor countries and the international financial institutions in any significant way.²

One of the most polarising issues within the wider debate is the likely effect of the processes of preparing, reviewing and revising PRSPs on the politics and political development of the countries concerned. On the one hand, there is the view that any measure that requires a government to consult more widely with its citizens is likely to enhance both the quality of the resulting policies and the accountability of decision-makers to domestic constituencies. It follows that there will be net benefits to the political development of the country as well as better chances of policies being implemented. Case study evidence from Africa does not indicate that these effects are either automatic or very profound, yet it seems too early to reject the hypothesis that PRSP consultations will exercise an important and, on balance, progressive influence.³

There is another view, however, which has been articulated equally effectively. This suggests, on the basis of the same kind of African country experience, that the net effects on national political development are likely to be negative. It is argued that, rather than putting ownership of the policy process back into the national political arena, the PRSP process in Uganda has had the effect of further widening the field of action of donor-dominated technocratic decision-making.⁴ In Tanzania, the processes of national and local political competition that are the basis of the country's fledgling democracy have been further marginalised as a result of the PRSP, to the benefit of a 'small, homogeneous "iron triangle" of transnational professionals based in key Government ministries and donor agencies in Dar es Salaam' (Gould and Ojanen 2003: 7).

It is a matter of no small importance which of these views is right, as is how to strike a reasonable balance between the aspects of reality that they each reflect. One issue on which everyone agrees is that national politics matters to the long-run prospects for reducing poverty in the world. The case for reserving judgement on the PRSP initiative rests on the notion that transforming the incentive structures of the political systems of aid-dependent countries takes time, not on any underestimation of the importance of politics. If, indeed, the effects on political development are negative, there is little chance for any of the hypothesised benefits in terms of policy outputs and outcomes.

It was on these grounds that the PRSP Monitoring and Synthesis Project commissioned the series of studies on 'PRSPs and Political Development' to which this paper belongs. Although most studies of PRSP experience to date have made some reference to the ways the processes have interacted with the countries' political structures, it could be said that few have paid sufficient attention to this topic.

¹ Christiansen and Hovland (2003).

² Stewart and Wang (2003).

³ Booth (2003a; 2003b).

⁴ Craig and Porter (2003).

Two aspects of the question are of obvious interest. One is the way the politics of the country has shaped the field of possibilities arising from the PRSP initiative – the opportunities to do some things differently and thereby increase the prospects of improvements in key processes and outcomes. The other is the contribution that the PRSP process has made, for better or worse, to political change and the development of political institutions in the country. These two concerns define the basic scope of these country studies in the series which cover, as well as Bolivia, Georgia, Uganda and Vietnam.

1.2 Why Bolivia?

In examining the relations between PRSPs and political development, the case of Bolivia is critical. Bolivia is home to many poor people and some of the worst regionally concentrated social indicators in the world.⁵ It has large external public debts and suffers from institutional aid dependency of a more or less classic kind, for reasons that are not dissimilar to those that apply in Africa.

According to Nickson (2002), the scale of financial and institutional aid dependency in Bolivia is more or less comparable to that of an average African HIPC country. Net official development assistance to Bolivia was 5.8% of GNP in 2000, 64% of this in the form of bilateral assistance. Although the overall level of aid has declined since the late 1980s, external funding of the public investment budget has remained substantial, averaging 50% of the total over the decade 1992–2001. This proportion would have been higher but for major problems of absorptive capacity, arising from a combination of donor conditionalities and weak capacity in recipient institutions in Bolivia.

Nickson's account centres on a significant improvement in donor practices since about 1997, with varied attempts to coordinate aid efforts and curtail practices that have the effect of undermining state capacity. Despite these endeavours (which may have slowed since the change of government in 2002), the rate of progress towards more 'advanced' aid modalities appears from this account to be no better than that of the African average. Nickson's analysis also suggests a significant level of donor chauvinism and competitiveness.⁶ He finds a 'surprisingly large number' of aid projects using parallel management systems, with many spending large sums on foreign technical advisers and significant amounts on national consultants, in special project offices within ministries.

In sum, Bolivia is a clear case of the essential panorama to which the PRSP initiative internationally is a response, that is, a vicious circle in which institutional weaknesses on the recipient side encourage donor practices that undermine national ownership of aid-funded programmes, which further weaken national capacity and political development.

On the other hand, socially and politically, Bolivia is different not only from otherwise comparable African countries but even from immediate neighbours in the Andean sub-region, like Peru or Ecuador. The political development of Bolivia is unique, fascinating and frequently surprising – posing substantial challenges to the political analyst and corresponding dangers of superficiality. For these reasons, the political implications of the PRSP process are peculiarly interesting in Bolivia.

In the light of this, it is not surprising that the Bolivian PRSP process has attracted considerable attention, including a number of careful and thoughtful case studies,⁷ several of which pay serious

⁵ UNDP (1998: 207); World Bank (2003).

⁶ Although written in a different vein and for a different purpose, Rosalind Eyben's splendidly reflexive account of her experience as head of the DFID office in La Paz (2003a) is not inconsistent with this impression.

⁷ Christian Aid (2002); Eyben (2003b); Forner (2002); Molenaers and Renard (2002); Toranzo Gutiérrez (2002); Toranzo (2002).

attention to political factors and effects. Although they by no means share a common perspective, they are not characterised by such polarised views as we have found in some of the Africa-focused debate. Although it is possible to disagree on the particulars of how questions are posed and answered, the present paper has benefited from these previous analyses and builds on their insights in several respects, as well as on more general literature. We also draw, not uncritically but quite heavily, on the interviews we conducted with a range of experts and stakeholders in La Paz in January 2003 (see list of persons contacted, Annex 2).

1.3 Posing the right questions

The way different studies interrogate country PRSP experience is crucial. In order to arrive at a worthwhile assessment of the political effects of PRSP processes, we need at least two things. One is a reasonably sound assessment of the political context – of the long/medium-term trajectory of political development⁸ in the country. This is essential so that judgements can be made not only about what happened but also about the most likely counterfactual. Claims about the effects of the PRSP process imply an explicit or implicit comparison between the actual ‘with-PRSP’ scenario and a hypothetical ‘without-PRSP’ scenario; we ignore the counterfactual at our peril.

The other requirement is a question form that conveys suitably moderate expectations. Much of the sharpness of the disagreement about PRSPs arises, in our view, not from the evidence or its interpretation, but from the questions people ask about the evidence. Asking the wrong questions – in this case, questions that bear no relationship to the rather limited ambitions that the sponsors of the PRSP initiative themselves attach to it – leads to a rather uninteresting exercise of knocking down straw men. We take the view in this paper that it is more interesting to tackle issues that arise from the real context of the PRSP initiative, questions to which we do not already know the answer.

The question this study aims to answer is, therefore, a limited one: how has the PRSP process influenced and been affected by political development in Bolivia? It does not, for example, try to analyse whether the PRSP brought about a fundamental re-ordering of economic, social and political relationships in Bolivia. Asking the latter kind of question either is naïve about history and political change, or – scarcely better – attributes an equivalent level of naivety to others.

It is important for practical as well as merely intellectual reasons that studies of PRSPs and politics follow these two principles – taking the counterfactual seriously and not constructing straw men. There is some danger that whatever positive value the PRSP initiative may have will be reduced by unreasonable sniping from the sidelines. As Robert Chambers pointed out many years ago (1983), the cause of the poor is not assisted by the fact that opinions about new technologies or institutions tend to polarise on professional lines, with ‘can do’ practitioners on one side and ‘negative academics’ on the other. What we need is sound, critical social science that is realistic about constraints but not professionally predisposed to debunk or deflate claims about feasible change.

1.4 The argument in outline

Bolivia was one of the first set of countries to have a full PRSP in 2000. A law was passed in 2000 prescribing that the strategy be reviewed on the basis of a further national dialogue within three

⁸ We use this expression broadly and pragmatically to refer to changes in the structure and functioning of political institutions that seem likely to contribute to human progress in the round. It is not meant to entail any particular theory-laden perspective on what should count as political progress or what the ultimate destination is. On the other hand, we agree with Sen (1999) that some fundamental features of democracy and freedom are probably constitutive of human development as well as conducive to economic and social improvement in the long run.

years. Bolivia was consequently one of those countries scheduled to revise its PRSP, on the basis of a fresh consultative process, in 2003. Although there was a change of government in mid-2002, the competent authorities had already prepared themselves for a new process, when the political situation in the country deteriorated sharply during 2003. After reaching what experienced observers considered a twenty-year low in February 2003, a further trough was reached in October, leading in this case to the overthrow and exile of the incumbent President.

These essential facts by necessity structure the argument of the paper. The paper begins, in Section 2, by setting out the main challenges and issues of political development in Bolivia. This includes, but is not restricted to, problems to which the PRSP initiative might be considered part of a possible solution. We set out the issues in the first instance without reference to the PRSP initiative, reflecting our assumption that we need a clear sense of the trajectory so as to be able to handle the counterfactual issue.

Section 3 is concerned with the first PRSP process in 2000. It begins by setting the process in its political context. It considers three ways in which the process may have contributed to political development and public policymaking affecting poverty. We acknowledge that the process avoided some of the most prominent and conflictive issues of the moment, and did not contribute in a direct way to addressing the underlying political development challenges. It was also not as effective as it might have been in improving the institutional framework for pro-poor policymaking. On the other hand, it would have been difficult to make more headway in either of these respects in view of the number and scale of institutional constraints. In contrast, the form of PRSP process that was chosen brought some significant benefits that would not have been realised otherwise, and probably did contribute indirectly to the likelihood of arrival at solutions to some of the more enduring institutional problems in due course.

Section 4 brings the analysis up to date, with a focus on the current PRSP revision process. It describes the options for a new PRSP process and National Dialogue following the elections and change of government in mid-2002 and the dramatic events that followed in January and especially February 2003. We then describe the most recent events, in October 2003, in which a popular uprising overthrew the President and imposed a comprehensive reconsideration of the government's composition and priorities. We consider how these changes have affected the likely shape and scope of the Second National Dialogue, which is now imminent, and what effects the process might have on the wider context.

Section 5 concludes by summing up and reviewing some of lessons that may be worth drawing from the analysis of political development and the PRSP process in Bolivia. A central message of this paper thus regards the importance of not regarding the PRSP initiative as a one-shot affair, a single event with a simple and once-and-for-all impact, for better or worse, on the course of political development in a country. Another theme is the importance of political conjuncture (the short and medium-run joining together of particular forces and circumstances), as well as political structure (long-run institutional patterns and trends), in determining the possibilities and likely effects of a PRSP process.

In 2000, we suggest, the strengths and limits of the PRSP process were shaped to a significant degree by the particular conjuncture of the middle months of that year and by the opportunities and challenges arising from a still-recent pro-poor institutional reform initiative (*Participación Popular*). However, the past may not be a good guide to the future. In 2003–04, the planned PRSP process has been affected by fundamental and short-run economic and political changes once again, but not entirely in the same way. The possible effects are therefore also likely to be different. Politics matters for PRSPs in both its two principal dimensions, that of structure, or long-term trajectory, and that of conjuncture.

2. The challenges of political development in Bolivia

A country of huge contrasts and often explosive change, Bolivia is undergoing a complex and fascinating process of political development. Grasping the dimensions of this process involves a multi-layered understanding, embracing secular, long-term and recent changes.

The background to the current phase is a secular struggle in which the national state has been successively constructed and reconstructed in response to the unique challenges of the country's location, culture and history. Against this background, particular traditions of political representation and social exclusion were bequeathed by the 19th century to the 20th. Substantially revised in mid-century and again in the 1980s, these traditions set the stage for the most recent developments. Crucial to the latter part of the story is the long-run growth in the autonomy, vigour and national presence of mass social movements influenced by Andean cultural traditions. Other elements include efforts since the early 1990s to build a local government system that extends the reach of the state and representative democracy, and to reform the system public administration.

This section identifies some of the major elements of this story. The treatment is, of necessity, highly compressed, but it aims to cover briefly the following key topics:

- the national state and its transformations;
- the system of representative democracy, and how it affects the form and content of public policy;
- social protest movements and the emerging contours of civil society;
- decentralisation and other elements of the reform agenda of the mid-1990s.

We suggest that an understanding of these elements is essential to an assessment of the position of the PRSP process in Bolivian political development.

2.1 The state in Bolivia: territory, structure and capacity

Bolivia is the poorest country of South America and one of the poorest in the western hemisphere. It shares with its neighbours Peru and Ecuador the legacies of the form of Spanish colonial domination that subjugated rather than eliminated the major pre-Conquest populations, resulting in societies that are highly stratified on ethnic lines. Despite losses of territory to neighbouring countries in the 19th and 20th centuries, the independent state of Bolivia has struggled to exercise hegemony over a vast and diverse land mass with a relatively small population. Bolivia's main population groups, composed of Aymara and Quechua speakers, have historically been concentrated in the Andean highlands. Once the source of fabulous mineral wealth and sophisticated agricultural systems, these regions have been economically declining for centuries.

The terminal decline of tin mining, together with the colonisation of areas on the fringes of the country's sparsely populated Amazonian lowlands, has reduced the economic and demographic dominance of the highlands. In particular, the spectacular development of large-scale agriculture and natural gas extraction in the plains of Santa Cruz has transformed the economic basis of the country. Despite substantial population movements, this has produced a mismatch between settlement patterns and the main sources of economic dynamism, and has deepened economic and social inequalities.⁹

⁹ Smith (1983).

Although Bolivia today has a relatively differentiated economic structure and not inconsiderable pockets of private wealth, it remains the case that the national state has limited presence and authority across vast swathes of territory. Despite recent efforts, it has quite a limited capacity to deliver even basic guarantees and services to the national population. Its legitimacy has been correspondingly weak. This has left it prone to recurrent outbreaks of protest and social violence, the impact of which has been heightened by a poorly developed national communications infrastructure.

Some of the sources of the incompleteness of state formation in Bolivia are basic facts of geography. Others are structural features of the state itself. From Spain, colonial and independent Bolivia inherited a centralist tradition with two linked but distinct dimensions. The first is the predominance of state structures over civil society, of officialdom over any countervailing institutional structures created by the dominant socio-economic groups (the distinctive feature of the Spanish colonial legacy that institutional economic history invokes to explain the divergent development paths of Latin and Anglo America).¹⁰ The second is the dimension of rule from the capital city, with very limited efforts to extend government or devolve significant authority to the regions until recent decades.

In common with other Latin American states where independence was the work of a continental military enterprise rather than of a localised civil uprising, Bolivia has experienced long and frequent periods of military rule. After independence in the early 19th century, the country wrote constitutions permitting presidents to be elected on limited suffrage, with some development of elite-based parliamentary parties. However, military *caudillos* frequently took power, and armed factions remained decisive arbiters of power at all times. In recent times, a twenty-year era in which different types and complexions of military regime alternated in power came to an end in the early 1980s, just as geopolitical factors in the region became more favourable to democracy.¹¹ A phase of hyperinflation and political turmoil was followed by an extended period in which representative democracy was restored and rule by political parties consolidated.¹²

The centralist tradition, and the political dominance of the military until comparatively recent times, must not be seen as a signal of a ‘strong’ state, in the sense of one enjoying both autonomy and capacity. The inability of the state to impose its writ across the national territory was common to both civil and military governments. Moreover, military regimes were, to varying degrees, affected by the pervasive patrimonial or ‘prebendal’ tendencies that, as we now explain, characterise the functioning of constitutional politics.

2.2 Representative democracy: how the nature of political competition affects policy

Prebendal politics and the origins of representative democracy

In common with the majority of Latin American republics, Bolivia experienced an elitist form of parliamentary democracy many decades before the onset of the earliest stages of industrialisation or broad-based economic growth. In the context of the colonial legacies mentioned above, this pattern had the effect across Latin America of forcing political development into a strongly clientelist

¹⁰ North (1990); Wiarda (1973).

¹¹ A key event was the shift in US policy towards Latin America inaugurated by Carter in the late 1970s, which led to the whole region embracing more or less simultaneously both economic reform and a return to civilian rule. This contrasts with the modal African pattern, where liberal economic reforms preceded the wave of democratisation prompted by the fall of the Soviet Union by half a decade at least.

¹² Whitehead (2001a).

mould. This tended to persist as politics became progressively more socially inclusive in the twentieth century, with subordinate social groups being ‘incorporated’ from above rather than integrated as autonomous movements. In turn, the persistently clientelistic pattern of politics prevented the emergence of state policies and capabilities that might have resulted in the timely resolution of fundamental structural problems of development (such as archaic land-tenure systems) – as happened in comparable countries of northern Europe, East Asia and Oceania.¹³

The development of Bolivia’s system of representative democracy has gone through several major phases, the most important of them punctuated by major wars – the War of the Pacific, in which Bolivia lost its access to the sea to Chile; and the oil-related conflict with Paraguay in the Chaco region in the mid-1930s. The mobilisation of conscripts during the Chaco War in particular was socially democratising and integrative. It brought new political generations (military and civil) to the fore, and initiated the process of drawing formerly excluded groups into the formal political system, something that has continued until today. A high-water mark of that process was the 1952 ‘national-popular’ revolution, which declared an agrarian reform and nationalised the tin mines, and resulted in the reorganisation of the country’s Aymara and Quechua peasantry into a national system of peasant unions and confederations modelled, notionally, on the trade unions of the miners and urban workers.

There were moments in the 1950s when advanced elements within the Bolivian labour movement under Trotskyite influence set their sights on a thoroughgoing social revolution, taking their inspiration from the worker-peasant alliance of 1917 in Russia. However, the populist *Movimiento Nacional Revolucionario* (MNR) successfully asserted its patronage of the *campesino* movement, subjected grassroots movements for land reform to its control and took credit for the abolition of the hacienda system and the nationalisation of the mines.¹⁴

MNR leaders had their own international models – among them the corporatist¹⁵ arrangements through which Mexico’s *Partido Revolucionario Institucional* (PRI) maintained its hegemony so successfully for most of the 20th century. However, despite ruling the country until 1964, the MNR never quite managed to emulate the PRI. Eventually, economic mismanagement, the government’s increasing difficulty in restraining the miners’ unions, and a regional climate strongly affected by Cold War anti-communism, resulted in the overthrow of the MNR regime and the inauguration of the extended period of military intervention mentioned above.¹⁶ During this period, the system built by the MNR, in which *campesino* leaderships and organisations were coopted into national political structures, was effectively taken over by the military, under the aegis of a Military-Campesino Pact.

Whether civil or military in form, the pattern of inclusion of formerly excluded groups within the national political system was strongly clientelistic, with significant but imperfectly realised corporatist pretensions. It was a pattern in which the ‘new’ peasant organisations created in 1952 (in reality, the imposition of a different formal structure on substantively pre-existing Andean community organisations¹⁷) lost any ability they might have fleetingly enjoyed to develop an independent political identity or reformist aspirations, beyond participating to a very limited degree in the trappings of state power.¹⁸ As explained in Section 2.3 below, this began to change towards the end of the 1970s, in the closing years of the Military-Campesino Pact.

¹³ Malloy (1977); Mouzelis (1986).

¹⁴ Klein (1997).

¹⁵ Corporatism refers here to the effort ‘to eliminate spontaneous interest articulation and establish a limited number of authoritatively recognized groups that interact with the governmental apparatus in defined and regularized ways’ (Malloy, 1977: 4).

¹⁶ Lora (1977); Malloy and Thorn (1971).

¹⁷ CIPCA (1992: Ch 1); Ticona *et al.* (1995).

¹⁸ Rivera and Barrios (1993).

The form of constitutional rule

Bolivia's return to civilian rule and competitive party politics was initiated in 1982 and consolidated in 1985. Since 1985, constitutional rule has been effectively re-established as the norm. Although recent events raise some fresh questions, comparative political scientists agree that during this period a reasonably well functioning party system has emerged.¹⁹ The main parties contending in recent elections are listed in Box 2.1.

Box 2.1 Bolivian political parties

Acción Democrática Nacionalista (ADN)

Conservative; founded by former military dictator Hugo Banzer. Now led by Jorge Quiroga.

Conciencia de Patria (CONDEPA)

Populist vehicle of former media personality Carlos Palenque.

Movimiento al Socialismo (MAS)

Left-wing indigenist movement; led by Evo Morales, figurehead of the coca-growing campesinos.

Movimiento de Izquierda Revolucionaria (MIR)

Social-democratic tendency that split from the MNR in the 1960s.

Movimiento Nacional Revolucionario (MNR)

Centrist party of populist origin; led by Víctor Paz Estenssoro and then by Gonzalo Sánchez de Lozada.

Union Cívica Solidaridad (UCS)

Populist vehicle of beer baron Max Fernández and his sons.

Nueva Fuerza Republicana (NFR)

Centrist party founded by successful Cochabamba mayor, Manfred Reyes Villa.

The constitution provides for a system described by political scientists as 'parliamentarised presidentialism'. Presidents are elected directly and, once elected, are not formally dependent on parliamentary confidence and can appoint ministers without congressional approval. On the other hand, unless a presidential candidate wins an absolute majority of the popular vote (which is rare), Congress chooses between the two strongest contenders. In practice, the composition and policies of governments reflect the same inter-party coalition that elects the president.²⁰ Presidential terms are limited to five years, with no immediate re-election. Between 1985 and 2002, four incumbents succeeded one another in an orderly fashion in the presidency, Víctor Paz Estenssoro (MNR), Jaime Paz Zamora (MIR), Gonzalo Sánchez de Lozada (MNR), Hugo Banzer Suárez, and his former Vice-President Jorge Quiroga (ADN). Gonzalo Sánchez de Lozada, popularly known as 'Goni', was returned to the presidency on the MNR ticket in mid-2002, but resigned in favour of his Vice-President, Carlos Mesa, in October 2003.

From the point of view of policy formation and implementation, the executive branch of government is critical. Since 1985, the two houses of Congress have played a relatively weak formal role. This is, in some measure, a consequence of constitutional provisions that allow key changes, for example in economic policy, to be introduced by means of Executive Orders that do

¹⁹ Domingo (2001); Gamarra and Malloy (1995).

²⁰ Mayorga (1997a; 1997b).

not require congressional agreement.²¹ However, it also reflects Congress's limited capacity to undertake effectively even its core constitutional responsibilities, such as those in connection with the budget. Committee systems are poorly developed and lack sufficient support staff. More fundamentally, perhaps, the relatively ineffectual role of Congress reflects the way parties operate in the formation of governments and governmental programmes.

The political system that has been institutionalised in Bolivia since 1985 is referred to as *democracia pactada*. Government by coalition is the norm. With an electoral system based on proportional representation and voting for party lists, it is hard for single parties to emerge from an election as more than first among equals. Combined with the absence of a permanent civil service (on which more below) and a strongly prebendal orientation to political campaigning (that is, one based on promises of access to jobs and other spoils of office), this has generated voting behaviour that is driven by patronage. It also produces strong tendencies for the formation of coalitions on the basis of post-election horse-trading rather than ideological affinity or programmatic agreement.²²

The party system

Bolivian parties tend to have limited programmes. Their identities are based more on the personal followings of their leaderships, some of which are regionally based. Parties do adopt election platforms, and successful coalitions are required to prepare a *Plan de Gobierno*; however, in practice, there are few obstacles to seemingly incongruous alliances (e.g. ADN + MIR) and 'mega-coalitions' in which it is hard to detect any programmatic affinity. Differences on policy tend to be resolved by sharing out different ministerial fiefs among the coalition partners, with the party leaderships exercising a relatively free hand in their respective domains. Although this may contribute positively to 'governability', by allowing a regular redistribution of shares in power, it is generally recognised to be bad for policy coherence, transparency of decision-making and the probity and efficiency of public administration. It is particularly damaging to the prospects for decisive and consistent action addressing fundamental national issues, including economic growth and poverty reduction.²³

The reduced role of Congress and the functioning of the party system are among the factors favouring an important *de facto* policy role for internationally trained technocrats and members of the national intelligentsia coopted into government as advisers at the highest levels. Significant technocratic policymaking of this type occurred both under the comparatively strong MNR-led coalitions headed by Paz Estenssoro (1985–89) and Sánchez de Lozada (1993–97), and under the more diverse 'mega-coalitions' of 1989–93 and 1997–2002. Views naturally differ as to whether it is a good thing that presidential 'advisers' and other influentials play a more important policy role than party militants or members of Congress in such periods. This practice is, however, almost inevitable in view of another key feature of the Bolivian government system – the lack of a permanent or otherwise institutionalised cadre of public officials to provide a counterweight to political appointees and some element of continuity at the more senior levels.²⁴

Despite these significant limitations, it is of some importance that political parties have emerged as main key actors in the political system, no longer overshadowed by their former rivals, the military and the trade unions. There is now a party *system*, characterised by healthy elements of both continuity and change.

²¹ Domingo (2001: 154).

²² Domingo (2001); Gamarra and Malloy (1995).

²³ World Bank (2000).

²⁴ Ibid.

It is hard to be sure of the survival of party machines following the demise of an outstanding leader, as in the case of ADN since Banzer's terminal illness and resignation in 2001. However, MNR has established itself as a fixture on the political scene, with Goni successfully assuming the mantle of its founder Paz Estenssoro, and the same may prove the case for the MIR. On the other hand, the same period has seen the rapid rise, and in some cases equally rapid decline, of minor populisms, such as CONDEPA (*Conciencia de Patria*), formed by TV personality Carlos Palenque, or the *Unión Cívica Solidaridad* (UCS) of beer baron Max Fernández and his sons. These parties were responsible for beginning the process of introduction of a distinctly *cholo* (i.e. urban Indian) element into Bolivia's electoral competitions. New parties that have come to occupy a high ranking in the electoral stakes more recently have grown from a regional base, including the NFR, from the city of Cochabamba, and MAS, from Cochabamba's coca-growing tropical belt.²⁵

It has been argued that the relative institutionalisation of the party system in Bolivia has permitted a freedom from the unpredictable excesses of caudillo politicians that has been lacking in, for example, neighbouring Peru in the same period. Although the level of institutionalisation and the benefits in terms of predictability seemed less certain at the end of 2003 than they did at the beginning of the year, there do not yet seem to be grounds for disputing the basic proposition.

2.3 Civil society and social protest

We have pointed to the importance in Bolivia's political tradition of a certain centralism, within which there is a greater predominance of the state over civil society than was typical of the Anglo-American democracies at an equivalent stage in their development. This, however, refers to civil society in the sense of the institutions created by the dominant classes of early capitalism as interlocutors of the state. This imbalance certainly still exists in Bolivia. However, there is also a long-established tradition in the region to which Bolivia belongs of violent social uprisings against the state.²⁶ This has translated itself in more recent times into a culture of bypassing the institutions of formal democracy and relying on self-organisation of the trade union type to voice dissent on the streets and highways. This is a civil society of a very different sort, and one of its characteristics is an ambiguous attitude towards the legitimacy and authority of representative democracy and the state itself.²⁷

It is possible to interpret the 1952 revolution and its aftermath as an effort to blend Bolivia's competing traditions of constitutionalism and popular mobilisation.²⁸ After 1952, the leaders of the MNR devoted much effort to reducing the autonomy of the new peasant union movement, enhancing the vertical links of patronage that bound it to the national political system and weakening the horizontal links between it and the miners' unions and the *Central Obrera Boliviana* (COB). Although it did not prevent the re-emergence of a highly polarised agrarian structure in Bolivia, the MNR's land reform did give sections of the peasantry a more substantial stake in the status quo. Combined with the systematic cooptation of individual campesino leaders, this was decisive in binding the peasantry into the national political system, in a quasi-corporatist fashion.

For a period, this did achieve a kind of reconciliation. In fact, the MNR's arrangements for channelling peasant protest were so successful that they were preserved largely intact by the military governments that followed under Generals Barrientos, Ovando, Torres and Banzer (the so-

²⁵ Most of these shifts have strengthened the centre against the extremes. On the right, the Falange Socialista Boliviana has disappeared, and ADN's survival does not seem guaranteed. On the left, the Communist Party is scarcely a factor, and the following of the Trotskyite POR is reduced to a rump within the La Paz teachers' union. On the other hand, the rise of MAS may need to be regarded as the re-emergence of the far left in a new form, albeit one that is very different from the traditional left.

²⁶ Whitehead (2001a: 24–27).

²⁷ Domingo (2001: 154–56).

²⁸ Whitehead (2001a: 26).

called Military-Campesino Pact). However, it is important to understand how much has changed on both sides of the relationship between state and civil society since the 1970s.

The changing character of Bolivian civil society

To understand political development issues in Bolivia today, it is essential to grasp not only the long-term historical background but also several aspects of the transformation over the last twenty-five years of the political contours of the country's mass social movements. Key changes include:

- *The gradual acquisition of greater autonomy by some of the previously 'incorporated' mass movements* – notably the campesino confederations and some of their affiliated communities. The origins of this tendency go back to the emergence, during the latter years of the era of military government, of a distinct *katarista* tendency (taking inspiration from the historical figure of the Aymara rebel Tupac Katari) within the *Confederación Sindical Unica de Trabajadores Campesinos de Bolivia* (CSUTCB). *Katarista* leaders, such as Genaro Flores, initiated a movement that rejected the patronage of military and civilian politicians and asserted the need for the campesinos to take up long-neglected issues, such as the struggle for land and indigenous cultural rights.²⁹ The broader context is a growing sense of ethnic identity and associated rights, which is affecting social as well as political attitudes among the Aymara and Quechua majority, even in urban areas such as the 'Aymara city' of El Alto, above La Paz.
- A weakening of the trade union element in the leadership of the mass movement, reflecting in particular the decline of tin mining. The strong (Trotskyite) ideological coherence of leadership of Bolivia's trade union movement, and the ability of the urban unions to act as a radical pole of attraction for the rural sindicatos, has been largely lost as a result of fundamental shifts in the economic structure of the country, making the COB a shadow of its former self.
- The rise of various currents stressing the indigenous identity factor, with the coca-growing settlers of the Chapare Valley emerging as a strong pole of attraction. The cocaleros cannot dominate the peasant movement (in part because of the split between the largely Quechua and Spanish speaking colonisation areas and the Aymara majority in the altiplano (high plateau), who have their own leaders).³⁰ Nevertheless, they have successfully injected a vigorous new dynamic into the organised campesino sector in Bolivia, one whose rhetoric is simultaneously non-Marxist, virulently anti-neo-liberal, and culturally regenerative. The reassertion of cultural identity as a theme in national politics has also been reflected since 1992 in new movements asserting claims to national identity among the Guaraní and other less numerous peoples of the tropical lowlands of the east and north.³¹

The two faces of mass protest

Many things remain unclear about the ultimate political implications of these shifts. However, there is little doubt that they have greatly increased the powers of protest and pressure that the mass movement now holds in its hands. This was strikingly expressed in 2000, the year the PRSP was launched, and even more tellingly during 2003. Highway blockades in January 2003 (led by the *cocaleros*) were followed by unprecedented rioting and repression in February, sparked off by a police strike in protest against a proposed extension of income tax. However, neither of those episodes can be compared with the October riots and the blockades centred on the gas-export issue, which resulted in over 60 deaths and the resignation of the President. To an increasing degree,

²⁹ Rivera, 1987.

³⁰ The fact that the principal *cocalero* leader, Evo Morales, is of Aymara extraction does not appear to be able to override this factor.

³¹ Albó (2002); Rojas (1994).

Bolivian politics may be said to be characterised by direct and often violent confrontations between incumbent governments and the forces of militant interest-group pressure.

The positive feature underlying this phenomenon is the impressive capacity for self-organisation³² that socio-economic groups, including quite poor peasant communities, demonstrate in Bolivia. This capacity has been manifested in recent years in a remarkable ability of base organisations, mainly, but not only, in the areas of influence of the *cocalero* movement, to respond to and make their own official initiatives, such as the extension of municipal government under the *Ley de Participación Popular* of 1994 (see below).

The negative side – particularly in combination with the weakness of the formal political system as a mechanism for aggregating interests and formulating policies on that basis – is the tendency for policy debate to assume extremely crude forms. Mass opposition to governments in power almost invariably takes the form of potentially violent street protest on the basis of a list of more or less radical ‘demands’. These tend to reflect the cruder forms of anti-neo-liberal analysis, with the IMF and transnational corporations figuring as particular demons. The official response typically combines arrogant assertions of the right to rule with dramatic (but usually unimplementable) concessions, underpinned by unrestrained and often ill-organised repression.

The national political culture permits frequent but shallow forms of ‘social dialogue’ – normally in the form of a face-to-face negotiation between a government representative and the leaders of the protest movement. However, the mass movement has extremely limited capacities to develop programmatic alternatives, even more limited than those of government. Therefore, the outcome of these encounters tends to be unsatisfactory, often resulting in a build-up of recriminations which contribute to future conflicts.

The need to generate mechanisms that effectively bridge the gulf between mass protest and its increasingly powerful modalities on the one hand, and the official policy process, with its limited capacities of initiative on the other, is seen by many observers as the fundamental challenge facing the political development of Bolivia.

2.4 The reform agenda of the 1990s

It makes no sense to consider significant international initiatives like PRSPs outside the context of the dilemmas and difficulties posed by these fundamental relationships. For the same reasons, it is important to grasp how different actors have been attempting to grapple with these issues in the most recent phase of policymaking in the country. The context for assessing the PRSP experience includes not just the structural problems and long-term trajectory of political development, but also the medium-term policy frameworks and the particular difficulties and opportunities that these have presented in recent years.

Three particular areas of policy initiative and substantive institutional change call for a brief discussion here:

1. efforts to improve the representational function of Congress and political parties by reforming the electoral system;

³² This refers to the capacity to sustain organisations that advance collective interests. It does not imply democratic structure. It is typically the case that leaders are quite strictly controlled by their ‘bases’, and that pressure from the bases is one of the factors that makes it difficult for them to back off from commitments to militant action, even when these appear doomed not to achieve their objectives. However, the norms of the rural union movement can also appear quite authoritarian and thuggish (CIPCA 1992: 112–13).

2. measures to improve capacities for policy implementation at all levels by reforming public administration;
3. the Popular Participation Law of 1994 and associated efforts to decentralise government to the regional (department) and especially local (urban and rural *municipio*) levels.

Improving the system of political representation

Popular dissatisfaction with political parties and the party system in Bolivia has been reported increasingly in recent years. According to some surveys, parties figure as the most distrusted of national institutions.³³ Such sentiments no doubt arise partly from comparison with the growing voice and influence of the extra-parliamentary protest movements. However, they also reflect the intrinsic ineffectiveness of the party machines as mechanisms for capturing and articulating the interests of actual and potential supporters.

One source of difficulty is the prebendalist orientation of party politics, stressed above. Many of the parties, including the MNR and some of the newer populisms, do appeal to the mass of more or less poor Bolivian voters³⁴ by promising general benefits from the application of specific policies. However, it seems to be agreed that voting for the major established parties is still determined much more by clientelist loyalties, and by expectations of rewards targeted to party supporters, than by reference to overall policy positions.

Another issue arises from the way the system of proportional representation and voting for party lists undermines the specific relationship of representation between members of Congress and their electorate. This has been recognised as a problem and, following legislation in the 1990s, a mixed electoral system has been established, with first-past-the-post *circunscripciones uninominales* for a certain proportion of seats (e.g. 30% of those in the lower house), leaving party lists as the basis of the remainder. The objective of this hybrid arrangement is to gain the benefits of both types of electoral system, avoiding both the unfairness of first-past-the-post and the large distance between individual representatives and their voters that can arise from party lists.

We found that opinions differed as to whether the addition of *uninominales* had altered political behaviour or the policy process in a significant way. Nevertheless, the reform is still comparatively young and it provides important evidence of a system of representative democracy that is evolving and learning. Together with the arrangements for *Participación Popular* at the municipal level, described later, the *uninomial* system is considered by the local administration specialist Harry Blair (2001) as a promising example of institutional pluralism in democratic decentralisation.

The difficult reform of public administration

A second major state reform has had a more patchy record than the others mentioned in this section. This refers to the reform of public administration, or the ‘institutionalisation’ of the civil service.

³³ Tapia and Toranzo (2000: 25–30).

³⁴ We purposely do not refer here to the poor. The poorest are concentrated in regions such as North Potosí which exercise little political influence. In these regions, cooptation of the leaderships of peasant unions and other social organisations continues to be a way of blunting social demands, despite the trends described above. Although a universal franchise has been in place in principle since the 1950s, voter non-registration has in practice disenfranchised large numbers. For many years, women were systematically excluded, not only by patriarchal traditions, but also because voter qualification was established on the basis of cards issued to those completing compulsory military service. Non-registration remains a problem even today. In 1996, it was officially estimated that 29% of the eligible population lacked the required voter’s card. This is an average figure that likely conceals large regional and gender differences (Booth *et al.* 1997: 36; Ticona *et al.* 1995: 183–85).

The public service reform can be viewed in either broad or narrow terms. Broadly, it embraces a range of legal and judicial reform measures designed to establish the rule of law and strengthen anti-corruption efforts. Within this framework, the law establishing the *Sistema de Administración Financiera y Control Gubernamental* (SAFCO) is particularly important. This lays down stronger administrative guidelines and increases the penalties for financial wrong-doing.

A more specific type of attack on current practice in public administration is the Institutional Reform Programme, a pilot operation undertaken with strong donor support to introduce merit-based recruitment into selected areas of public service. This is seen as a key step in view of Bolivia's lack of a permanent senior civil service. The aim is to create a cadre of permanent officials, recruited on meritocratic principles, which will provide the consistency and institutional memory that tends to be lacking when a large proportion of public jobs, even in technical areas such as health or agriculture, changes hands after each election.³⁵

The vagaries of the Institutional Reform have been written about extensively elsewhere. The bottom line is that, after making substantial inroads in a few sectors (affecting 3000 posts at the high point of the programme), the reform now appears stalled, and in some respects may be being reversed by the powerful forces of post-election party patronage and competition for *pegas* (jobs). Diagnoses of the gains and weaknesses of the reform tend to suggest that donors were guilty of forcing its pace ahead of political consensus, particularly cross-party agreement, on the issue.³⁶

An equally significant factor may be the fact that the effort to make the public service more performance oriented was not accompanied or preceded by efforts to reform the national budget process, so that the flow of resources to different sections of government also begins to be results or performance based. Despite donor interest in the idea, Bolivia has not had a medium-term expenditure framework (MTEF) or results-oriented budget reform.³⁷ A multi-year budget framework was to have been introduced, in connection with the PRSP revision, in 2003, but this appears to have been postponed.³⁸

Both the stalling of the Institutional Reform and the underlying lags in the implementation of public financial management improvements set limits to the improvement of the policy process in Bolivia. These are contextual factors that need to be borne strongly in mind when considering what was, and could have been, expected to result from the PRSP.

Decentralisation and municipalisation

During the second half of the 1990s, administrative decentralisation and, more particularly, the 1994 *Ley de Participación Popular* (LPP) resulted in a significant reordering of the institutions of the Bolivian state. The over-centralisation and rural neglect that were characteristic of the country have been moderated by the creation of a new layer of elective power at the level of municipalities, and the devolution to this level of a much increased share of national tax revenues. Municipalities have been made responsible for a growing range of infrastructural and service-delivery functions.

³⁵ The current system of course enhances the tendency for middle class people to vote for the party ticket most likely to provide patronage after the election, not the one with the best policies or record of implementing them. It makes election times stressful, and enhances the pressures on governments to expand the public payroll, create new ministries, etc., even when, as immediately following the 2002 elections, the public purse is under severe pressure.

³⁶ Montes (2003); World Bank (2000).

³⁷ Montes (2003). Recent trends in the relative weights of different ministries have tended, moreover, to weaken the role of the finance portfolio as a coordinator. At least until the resignation of President Sánchez de Lozada in 2003, the beneficiaries were offices like the *Ministerio de la Presidencia*, and 'superministries' charged with coordinating all of the others, such as the *Ministerio de Desarrollo Sostenible*. This interestingly reverses the more usual trend in PRSP countries towards a more central role for Finance.

³⁸ *La Razón* (2 November 2003).

At first, these were mainly in the social sectors, but they are increasingly encompassing productive sectors also.³⁹

Although the LPP has obvious similarities with local government reforms in other parts of the world, it was a more ambitious scheme than most. In conception and substance, it was an effort to grapple with the challenges of political development discussed in the previous sub-sections. The reform was designed deliberately and explicitly to resolve the profound conflict between the principles of representative democracy and the 'corporative' articulation of the interests of functional groups, by giving greater expression to interests defined in territorial rather than functional terms; and attempting to marrying the principles of representative and participatory democracy.

These objectives were pursued by setting up municipal authorities on the basis of elected councils and mayorships, with registered parties and party lists as the contenders, while also providing a significant measure of authority to *Comités de Vigilancia* (CVs) representing grassroots community organisations. The aim was to achieve an effective marriage of formal Western and informal Andean traditions of representative and direct democracy. Through this Popular Participation, it was hoped that a powerful institutional wedge would be driven between the otherwise irreconcilable forces of corporative interest representation and constitutional democracy.⁴⁰

Participación Popular did not meet all the expectations that accompanied it.⁴¹ The reform succeeded in only a limited way in driving the hoped-for wedge between the prebendally oriented *partidocracia* and interest-group pressure.

The principal vehicle for bringing Andean democracy into the mix of traditions in the way that Popular Participation was intended, namely the *Comités de Vigilancia*, has been the least well functioning element of the new arrangements, according to most of the evidence.⁴² As a consequence, national political parties have maintained much of their power to dictate local arrangements. Despite any challenges, coalition politics and horse-trading of the spoils of office are alive and well as the basis of local as well as national politics in Bolivia.⁴³

On the other hand, the most important instance of peasant unions seizing and keeping control of municipal governments has been in the tropical colonisation zone and some highland areas of Cochabamba, where the *cocaleros* are the leading force. Some 60 municipalities came to be controlled by forces identified with the campesino-based party MAS after two rounds of local council elections held under the LPP. This has given the leaderships of these movements experience in exercising local state power and thus reasons for developing their specifically political aspirations within the system of representative democracy. This might have been expected to moderate the radicalism of their demands, and this may have happened in some respects. However, the most important effect has probably been to strengthen their capacity to exercise pressure on the authorities in La Paz, and paralyse central policymaking and implementation in the process.

³⁹ Gray-Molina (2001); Slater (2003).

⁴⁰ Rojas (1994); Ticona *et al.* (1995).

⁴¹ Albó (1999); Ameller (2002); Blanes (2000); Booth *et al.* (1997); Gray-Molina (2001; 2002); Rodríguez (2002).

⁴² It is said to be a common view in the campesino movement that around 90% of CV members are the right-hand men of their mayors. Until the *Ley de Municipalidades* (October 1999), CVs did not even have a legal entitlement to claim expenses, making them financially dependent on the mayors' offices. Perhaps more seriously, the LPP may have been flawed in insisting that the method of electing CVs should respect local 'custom and practices'. This had the effect of guaranteeing an under-representation of women and excluding worthwhile urban interest groups such as *Comités Cívicos*. On the other hand, this does not convince those who take Andean tradition seriously, as it does not accommodate the representation of the moieties (*parcialidades*) that are the basis of local social organisation.

⁴³ Moreover, some of the legal provisions intended to strengthen the hand of councillors against abuses by mayors are increasingly being used by the parties to prevent mayors from establishing personal reputations and followings. The provision for the *censura constructiva* (constructive censure) of an incumbent mayor, and his/her replacement by a simple majority of councillors, is a notable example.

Despite these limitations, the LPP has developed in a way that has contributed to the substantive democratisation of Bolivia, which confirms the initial judgement of several studies. One of the more respected reform processes of recent years, the municipalisation movement, has consolidated itself, becoming a major feature of the national reality, a key deliverer of basic services to the poor, an interest group in its own right and a training ground for national politics.⁴⁴ In rural areas, the *alcaldías* (mayor's offices) give at least some scope for participation in a system of representative democracy in many places where this had been completely lacking. It is therefore important that the reform was consolidated after the end of the term of the government that introduced it.

It was not altogether clear that this would be the case in 1998, when the government changed. The leader of the incoming coalition, retired general Banzer, was unsympathetic to what he regarded as the brainchild of Goni advisers. To be sure, it would have been difficult to take back what had been conceded, as interests in the new local power arenas had been entrenched. However, the formal recognition of the LPP as a *política del estado* – that is, binding on all governments – was important and not entirely expected, as was the passing of comprehensive municipal legislation to iron out snags in the initial design. An important point in the context of this paper is that this would not have happened in such a decisive fashion were it not for the particular way in which the HIPC/PRSP process was handled in 2000.

⁴⁴ The municipal politics of some of the larger cities, such as Cochabamba, Santa Cruz and La Paz, now attracts a good deal of national interest, detracting to some degree from the status of Congress. In some quarters, it is said, a mayorship is seen as a better – if also a rather more risky – political career these days than that of a Deputy.

3. Bolivia's first PRSP in a political development perspective (2000–03)

Bolivia has been regarded, with some justification, as a pioneer of initiatives to change the modalities of international support to economic liberalisation and pro-poor policy reform. The site of the first social fund in 1980s, and of an innovative approach to privatisation and pension reform in the 1990s, it was one of the pilot countries for the Comprehensive Development Framework, and then one of the first countries considered under the enhanced HIPC Framework for multilateral debt relief after 1999. In 2000–01, Bolivia produced one of the first PRSPs – the *Estrategia Boliviana de Reducción de la Pobreza* (EBRP: Bolivia, 2001). In this section, we turn to how the PRSP process was affected by its political context and what effect, if any, it had on the country's political development.

3.1 Three dialogue processes

To the casual observer of Bolivia's PRSP experience, the years on either side of the millennium can appear littered, in quite a confusing way, with 'national dialogues'. At least two other national consultation exercises, other than the one that led to the EBRP, have been written about and disseminated internationally, and it will be worth explaining this at the outset.

Three processes of more or less extensive national dialogue took place between President Banzer's accession in mid-1997 and the end of the term of his successor and former Vice-President Jorge 'Tuto' Quiroga in mid-2002:

- a limited consultation convened during the initial months of Banzer's presidency in 1997, involving major national interest groups and opinion leaders, including the confederations representing the coca-growing peasants and the lowland indigenous groups (CIDOB – *Confederación Indígena del Oriente Boliviano*);
- a National Forum organised as part of Bolivia's Jubilee 2000 debt relief campaign, culminating in April 2000;
- the National Dialogue convened during May-August 2000 to consider the deployment of HIPC II funds and related questions, which resulted in the drafting, approval and eventual endorsement by the World Bank and IMF of the EBRP, Bolivia's first PRSP.

National Dialogue, 1997

Views as to the significance of the 1997 Dialogue vary considerably. Detractors note that it responded to the particular needs of a governing coalition that found itself in power rather unexpectedly, lacking even the outline of a *Plan de Gobierno*. More positively, it can be viewed as pioneering the approach eventually adopted when HIPC II placed participatory anti-poverty policymaking on the international agenda. Although the 1997 exercise was not particularly poverty focused, it was agreed to reconvene and discuss poverty directly in 1998. Even though this was not acted upon, it could be said that Bolivia was doing PRSP-like things before PRSPs, which is comparable in this regard to the African frontrunner, Uganda.

The element of plain truth in this version is that the ageing Banzer's rather old-fashioned and fundamentalist views about policy consultation⁴⁵ were not shared by his Vice-President, Quiroga, whose version of ADN's right-wing political doctrine was that of a 'yuppie' technocrat, relatively closely attuned to international thinking and donor concerns. Banzer allowed his VP to make the running on issues of this type in 1997. In 2000, the president was already terminally ill, and the essential decisions about how to respond to the HIPC agenda were Quiroga's.

National Forum (Jubilee 2000)

The National Forum organised by the Catholic Church's *Pastoral Social* (Social Care Commission) and its allies in the Jubilee 2000 campaign immediately preceded the government-coordinated National Dialogue. It was undertaken as a separate exercise in the expectation that the official dialogue would be superficial and would avoid the fundamental national issues.

The Forum's organisers maintain that it was more representative, involving some 30 national organisations, including the peasant apex organisation, CSUTCB, plus departmental and local representatives. Despite this, it was less costly – at US\$120,000, as compared with about US\$1 million, thanks to the efforts of some 400 volunteer facilitators (according to a source in the Pastoral). It is also considered to have been more serious in its engagement with the real policy debates and social forces than the National Dialogue that followed. Furthermore, what was best about the government effort reflected ideas that came out of the Forum and would not have featured without its influence.

A more sceptical view of the Forum says that its declared commitment to exclude nothing and include everyone (except political parties, on the basis that they were not part of civil society) was a formula for agreements that committed no one to anything. In particular, there was no debate between critics of the government and officials or politicians with responsibility for particular areas of policy.

The 2000 National Dialogue

The National Dialogue of 2000 was much more of a bottom-up process than that of 1997. Proposals to model it on the Jubilee approach were also rejected. The process was designed by an independent, though government-mandated, Technical Secretariat (TS), headed by the political scientist Carlos Toranzo.⁴⁶ It consisted of distinct but linked discussions with stakeholders at municipal, departmental and national levels. Over 1,200 encounters were organised at municipal level, meaning that virtually all the municipalities in the country were covered. Issues debated at this level included: the causes of poverty; priorities for the use of HIPC funds; and citizen's participation in monitoring of results. Broader economic and social questions were given more importance in the Department-level discussions, where representatives of the municipalities were joined by representatives of trade unions and campesino federations, the *Comité de Enlace* (Link Committee) representing small-scale producers and traders, NGOs and local Jubilee 2000 Committees. The process was supported by a donor basket fund coordinated by UNDP.

NGOs and membership organisations that participated in the National Dialogue have the same complaints as civil society stakeholders in other PRSP countries about the pace of the process, and

⁴⁵ Informal conversations with the chambers of commerce and union confederations at the centre.

⁴⁶ Other members were Rubén Ardaya, Ivan Arias and Francisco Medina. Actual implementation of the design was entrusted to Carlos Carafa of Swiss Cooperation's La Paz office following the resignation of Toranzo and his staff in April.

the difficulty of contributing effectively under such conditions. However, close observers of the civil society scene say that there were important gains from the form and content of the dialogue – getting NGOs, unions, producer associations and government representatives together around a single table for several days was an unprecedented experience. Participants expressed the view to evaluators that the experience had been useful and would be worth repeating.⁴⁷

In the initial design of the process, there was no substantial role for political parties as such (although, it is pointed out, 50% of municipal representatives consulted were mayors and councillors elected on party tickets). This was a controversial feature of the design, given that it was a government initiative that would commit all the coalition partners. For reasons explained below, at a certain point pressures to end this exclusion became irresistible and a distinct Political Agenda was included in the programme of national consultations. In the event, however, even this was truncated, as the main political leaderships did not attend and the intended ‘political summit’ did not take place.

The process generated two important products, a significant piece of legislation and a PRSP document. The *Ley del Dialógo* (Dialogue Act) gave force of law to a series of decisions emerging from the Dialogue regarding: the distribution of the new HIPC funds; the funding of investment projects at municipal level; the establishment of a Social Control (participatory audit) mechanism; and the institutionalisation of national dialogues on a three-year cycle. The law was passed by Congress on 31 July 2000.

The PRSP document was a wide-ranging, two-volume text, professionally produced with worthwhile elements of policy analysis on many, if not all, of the important national issues. It was approved by Cabinet in February 2001. Following a mildly critical but favourable Joint Staff Assessment, it was endorsed by the Joint Boards of the IMF and World Bank in June 2001. Bolivia’s HIPC completion followed.

3.2 The political conjuncture and its effects

A remarkable fact about Bolivia’s 2000 PRSP process is that it occurred between, and yet without any direct relationship to, what were considered at the time two of the most serious outbreaks of social protest in recent Bolivian history. In April, a protest over water privatisation in the city of Cochabamba mushroomed into a province-wide highway blockade, leading to violent encounters between protesters and the military. As often happens in Bolivia, the so-called *Guerra del Agua* became linked with other conflicts around different issues in other parts of the country, with different groups taking up each other’s demands in expressions of solidarity.

This tendency for sectional protests to become generalised into an overall challenge to the government in power was taken further in September, when protesters, led by the national peasant confederation, CSUTCB, blocked the country’s main highways for a month in order to advance a wide-ranging list of demands, including wage increases, land-law reform and a halt to coca eradication. At least 15 civilians and five soldiers died in street conflicts in the course of the year.⁴⁸ Several years later, many of the issues remain unresolved and the subject of what are perceived to be broken government promises a running sore on the face of Bolivia’s body politic. In sum, the immediate political context of the National Dialogue was a series of major episodes that well illustrate our earlier propositions about the main challenges of political development in Bolivia.

⁴⁷ Arteaga and Pinc (2002).

⁴⁸ Whitehead (2001b: 12–13).

The political conjuncture had some effects that were not intended by those responsible for guiding the PRSP process. Some organisations, such as the teachers' union and the state pensioners formally boycotted the Dialogue. Others simply did not attend. Although an important place had been assigned to them, the leaders of the *Central Obrera Boliviana* (COB) and many of its affiliated trade union organisations absented themselves because they were too busy manning road blocks. For a variety of reasons, therefore, the Dialogue did not effectively include some key mass-membership interest groups.⁴⁹

A further observation offered by critics of the 2000 National Dialogue was that, as well as failing to involve key actors, it avoided some major national issues, even though these were directly relevant to poverty reduction; in this way it failed to capitalise on the expectations generated by the Jubilee Forum. An example would be the long-running dispute about the national land-registration and dispute-settlement machinery. This was discussed in depth by the Forum and then helped to fuel the September protests, but was kept off the agenda of the Dialogue.

There are some things to be said for this point of view. However, in Bolivia in 2000, there was more than one thing that could have been done with a national consultation prompted by HIPC II and the associated drive for greater national ownership of poverty-oriented policy reform. A proper assessment of the PRSP process, including one that is particularly interested in political constraints and impacts, needs to consider the several different sets of expectations that were entertained – by different constituencies, and, to some extent, by all of them – about the possible effects.

In fact, three different types of outcome were expected. In each case, the expectation was not unreasonable and would have been consistent with the central notions that inspired the PRSP initiative.

1. The Dialogue could have helped key players in major national disputes to move closer towards mutual understanding on basic issues that would otherwise be fought out on the highways. It could have concentrated on bringing together protest leaders, government representatives and the many potential brokers among Bolivia's civil society organisations, in a relatively relaxed and non-adversarial setting. Such a process could have reduced tensions, laid the basis for improvements in negotiation machinery and perhaps averted major future upheavals that would do further damage to Bolivia's prospects for poverty-reducing economic growth. The necessary decisions on poverty-reduction objectives and HIPC spending could have been handled at a more technical level.
2. The Dialogue could have been focused on agreeing a comprehensive, tightly prioritised and implementable national anti-poverty strategy. In this case, the result would have been a set of carefully considered intermediate objectives and targets, including spending targets governing not only enhanced HIPC savings but also expenditure from government revenues and external loans and grants. The most important benefit in this case would have been for the aid relationship, with a greater proportion of external support to Bolivia directly financing nationally agreed programmes and using government resource-allocation systems.
3. Alternatively, the Dialogue could have been used very deliberately to advance a specific and attainable set of objectives within an existing pro-poor reform agenda. The objective would have been limited but worthwhile, with reasonably certain benefits in terms of institutional development as well as resource allocation. Although the effects would be indirect, some effects on the fundamental political-development challenges could also be expected.

⁴⁹ The point is not to suggest exclusion of organisations of the poor. While the *cocaleros*, for example, can reasonably claim to speak on behalf of the Bolivian masses, their home area, the Chapare valley, has secured relatively good social infrastructure, and levels of human development are high by rural standards (UNDP 1998: 207–08). Arguably, the inclusion of at least some representatives of all the country's municipalities was more effective in giving some voice to the most deprived than any amount of national union representation. However, this may not be the most relevant criterion to apply, even if one's overarching concern is poverty reduction.

Our understanding is that that character and outcomes of the 2000 Dialogue were mainly of the third type, and that this was so by design. To explain this, we take the approach of considering how well the EBRP process performed under each of these headings in turn, before considering the corresponding effects on political development in the country.

3.3 PRSP dialogue as a means of reducing national conflicts

Two things are quite clear here. One is that, for the reasons explained, the conjuncture was highly unpropitious for any attempt to turn the PRSP process into an opportunity for tension-reducing dialogue among the big players in Bolivia's national drama. The second is that the Vice-President's office and the technical team put in charge of the arrangements shared the view, which had inspired the *Ley de Participación Popular* under the previous government, that the priority was not to give further scope to the existing leaderships of the political parties and unions, but to create spaces for the emergence of new institutional actors, based on territorial units rather than functional interest groups.

Marginalisation of the politicians

The management of the Dialogue process was quite consistent in its efforts to prevent party politicians from dominating. Although this would mean costs in terms of influence on the national political system, the Technical Secretariat feared that formal involvement of the parties might undermine the participatory qualities of the process and would weaken the chance of pro-poor decisions on HIPC resource allocation. They were able to insist on this point almost to the end. The design of the process lost some of its original coherence after April,⁵⁰ with the addition of a national political *mesa* (roundtable), covering a ragbag of issues as a sop to the politicians. However, as already mentioned, this had little practical effect.

Although Congress approved the *Ley del Diálogo* and Cabinet passed the document, Bolivia's PRSP was thus not the subject of formal discussion among the partners in the governing coalition. Nor were the opposition, which included the MNR, consulted as such. In view of our earlier points, this may be taken as a comment on the limited role of parties and the legislative branch and the influence of presidential advisers in policymaking.⁵¹ This certainly helped to make it possible to bypass the politicians but, unlike the boycott by some of the organised interest groups, this was also a declared objective of the initial team of organisers.

Nature of the local consultations

If the Dialogue had been taken mainly as an opportunity to build bridges, it would have been necessary to take a different approach to the local consultations in the municipalities. The municipal process was very inclusive spatially, but quite shallow socially. Only four persons were allowed to participate in each *municipio* – the mayor, the President of the Council (i.e. the leader of the opposition), a representative of the Vigilance Committee of the municipality and one other local

⁵⁰ The TS was given considerable freedom from government interference until April 2000. However, in the context of the social protests of that month, the Banzer government became nervous and began to impose conditions, which resulted in the resignation of Carlos Toranzo and his team.

⁵¹ The fact that parliamentary opposition (particularly the MNR) was not actively involved in the consultations around the PRSP was, in fact, to cause some problems of continuity when they became the main force in a new government in 2002. However, these problems were short lived and relatively quickly overcome, as discussed in the next section.

citizen, including at least one woman. This relatively limited representation in each place was the corollary of the decision to undertake consultations in all the municipalities of the country.

The municipal consultations also had a limited agenda, and were structured primarily in terms of how to distribute and allocate the HIPC savings. At departmental and national levels the debate was richer, and not restricted to the arrangements for HIPC spending. Had the objective been different, it would no doubt have been possible to undertake a geographically more limited exercise, to collect perceptions and problems at the local level.⁵² This could have been used to feed into a national debate, in the way that participatory poverty assessments have been used in a few countries. However, to suggest that this ought to have been done in 2000 would be to misunderstand the objectives of the organisers in opting for 100% coverage.

3.4 EBRP as a strategy for policy action

Formally, much of the expectation and discussion around the EBRP treated it as an exercise in diagnosis and prioritisation with a view to a more effective deployment of national and international resources for poverty reduction; this is, of course, one of the things that it did represent. Instigated by the International Monetary Fund and the World Bank to provide a basis for HIPC and concessional lending, the exercise was rooted in technical analyses by the government's internal think-tank for social and economic policy analysis, UDAPE (*Unidad de Análisis de Políticas Sociales y Económicas*). However, we suggest that this was not its main incarnation, or the source of its more important effects (at least from a political development perspective).

Strategy making as synthesising interest-group demands

As with PRSP processes in many other countries, the way the document was generated was not unproblematic or uncontroversial. The essential procedure involved consultations to collect the whole gamut of popular and sectional concerns and 'demands', followed by a drafting process led by a national consultant⁵³ charged with interpreting or decoding the results and conceptualising them in policy terms. Although better than many PRSP documents in this regard, the EBRP shares in the generic tendency to reproduce 'shopping lists' of demands and issues, rather than critical analysis suggesting new ways of addressing long-standing public policy problems.

In the context of an otherwise welcoming report, the Joint Staff Assessment (JSA) of the EBRP drew attention to this limitation in an unusually clear way. A view strongly held by bilateral donors (and the European Commission and UN), but not reflected in the JSA,⁵⁴ was that document was based on over-optimistic economic growth projections, making its treatment of the prospects of meeting the Millennium Development Goals in Bolivia highly unrealistic. A related and even more serious deficiency is the gap between the detailed and realistic treatment of social sector and, to a lesser extent, governance objectives and the treatment of the economy. Even without a formal prioritisation exercise, a vision of what a more pro-poor pattern of development would look like and how to get there would have provided a more useful framework for further policy work.

⁵² The Bolivian NGO devoted to the promotion of participatory methods, GNTP, undertook a demonstration exercise using PRA-type enquiries in three municipalities, showing how a more selective approach could have generated a fuller set of findings.

⁵³ Juan Carlos Requena, a former Director of UDAPE.

⁵⁴ The experience illustrates the limited responsiveness of the mechanism for getting PRSPs endorsed by the Joint Boards of the World Bank and IMF to the views of the donor community in the country. The donors in La Paz undertook a joint parallel assessment of the EBRP which drew attention to the danger that the mistake in the growth projections would render the strategy obsolete in a short space of time. This was communicated to the JSA mission and to the government but was ignored, with rather serious consequences.

Not unexpectedly, the first draft of the EBRP was rejected by a range of civil society organisations and NGOs as bearing little relation to the collective discussions and agreements. The degree to which the paper was supposed to be the expression of a consensus, as distinct from summarising the government's position after listening to the people's demands, was never clarified. In fact, it would be fair to say that this remains worldwide one of the big unresolved issues of PRSP practice. PRSPs are government documents, and governments are responsible to parliaments and electorates. Yet inviting non-governmental organisations to participate in policy discussions surely implies some willingness to trade ideas and even share power – the question is how much and in what way.

Box 3.1 The PRSP document

The document (Bolivia, 2001) was eventually structured around a diagnostic section followed by discussion of four policy areas:

- widened employment and income opportunities for the poor;
- developing capabilities by improving the quality of primary education, preventative health and housing;
- enhanced security and protection for the poor and most vulnerable;
- promotion of social integration and participation, to deepen Popular Participation and Decentralisation.

As well as discussing priority areas of action under each heading, the EBRP singles out gender equity, the expression of indigenous identity and the protection and conservation of the environment, as cross-cutting objectives. Further sections of the document discuss the institutional framework for implementing the strategy; resource-allocation and financing mechanisms; targets, monitoring and evaluation; the macroeconomic context; and the place of international cooperation in the EBRP. Volume 2 includes poverty data, themes agreed in the roundtables, a plan of action, financing proposals and monitoring indicators.

In each area, the document brought together some of the best elements in current thinking and extant reforms. In the field of governance, for example, these included sound but ambitious (and thus not necessarily very practical) objectives regarding political participation, citizenship and rights; institutional reforms required to modernise the state; and the desirability of anti-corruption measures capable of encompassing party leaders in municipal government and Congress.

Donor inputs also became important at this point. During the Dialogue, a bilateral donors' network had been established to provide technical assistance on the participatory process; the definition of

poverty reduction; and the scope of the PRSP. In late September, the consultant brought in to lead the drafting process set up a small advisory committee including staff of the Inter-American Development Bank, the World Bank, DFID (as the chair of the bilaterals' poverty network) and, later, UNDP. Although not on the committee, the IMF contributed to work on the macroeconomic framework. The consultant reported regularly to a wider government-donor working group.⁵⁵

At a certain point, the notorious 'Christmas tree' effect made its appearance, with efforts to accommodate criticisms of the drafts by adding new material. Not all donor agencies were able to restrain themselves from insisting on the inclusion of priority topics, corresponding to their areas of project activity or general concern. The document therefore grew larger and more sophisticated. More coverage of gender, environmental issues and ethnic claims was provided in this way.

⁵⁵ Rosalind Eyben, personal communication

Lack of linkage to the budget

The value of the EBRP as an instrument of prioritisation was reduced by several factors as well as quality. First, it was considered only to a limited extent to be a statement of government policy. Even within the ruling coalition, it was viewed as ‘Tuto’s thing’, that is, the Acting President’s personal initiative. It was also more a framework for the disposition of external concessional resources than a guideline for the national budget.

Secondly, from our earlier analysis, we know that the prevailing administrative system, and in particular the national budget process, are quite blunt instruments for translating any new policy priorities into spending plans and consistent policy action. The EBRP document itself expressed the view that ‘The success of the EBRP depends on the possibility of reallocating resources towards priorities’ (Bolivia, 2001: xviii). However, except by earmarking spending at the municipal level (on which more below), it is not clear that resource reallocations have happened on a significant scale.⁵⁶

By the key test of whether it provided the basis for a systematic reworking of public expenditure plans and their execution, therefore, the first Bolivian PRSP was not a success. However, this was inevitable in view of the lack of a medium-term expenditure framework or multi-year programme budget. The stalling of the Institutional Reform, although less critical, also made it less likely that agreement on a PRSP would have a thoroughgoing effect on the conduct of government business.

The same qualities of the process and its product have affected the value of the monitoring efforts undertaken, technically by UDAPE and institutionally by the *Mecanismo de Control Social* (on which more below). As mentioned above, annual reviews, in the form of two *Informes de Seguimiento* (monitoring reports) and a three-year progress report, have been prepared by UDAPE for an Interministerial Monitoring Committee.⁵⁷ These documents deploy a good range of national statistics relevant to the action matrices in the annexes of the EBRP. A weakness acknowledged by UDAPE is the lack of indicators and data disaggregated to the municipal level.⁵⁸

For related reasons, the EBRP was less powerful as an instrument for improving Bolivia’s aid relationship than it might have been. A process that had been focused on setting monitorable objectives for public expenditure *and* was backed by a multi-year programme-budget progress would have provided a stronger focus for external funding and a tougher test of donor alignment with national commitments than the EBRP was able to provide.

3.5 EBRP as a contribution to ongoing reforms

The PRSP process in Bolivia in 2000 was not a haphazard sequence of events without conscious direction. It was steered by a lucid group of advisers hired by Jorge Quiroga with donor assistance to serve as Technical Secretariat. As previously noted, the role played by this group is a recent

⁵⁶ Some steps were taken to align public policy frameworks with the strategy; for example, the National Irrigation Programme was reoriented. However, such changes were largely formal in most cases, and they were not universal. Not even high-profile programmes supported by common-basket donor funding, such as the Bolivian System for Agricultural Technology, were actually adapted to meet EBRP priorities (Nickson 2002).

⁵⁷ Bolivia, CISE (2002a, 2002b); Bolivia, UDAPE (2002). Key members are the executive of the Mecanismo, the National Statistics Unit, Vice-Ministry of Popular Participation (Banzer/Quiroga government) and Ministry of Municipal Development (Goni government).

⁵⁸ Work is underway to tackle this problem using a combination of census data and the annual basic-needs monitoring survey. With the important exception of the education sector, where a SWAp has been well set up, solid sector monitoring is also not established. As in most PRSP countries, the strong point is national data on final outcomes, not the monitoring of critical implementation processes and intermediate objectives.

example of the importance of high-level advisers in the formation of policy in Bolivia. Several of those concerned had previously played a role in the implementation of Popular Participation. Not coincidentally, it is in this third area, and in regard to Popular Participation in particular, that we need to look for more definite gains from the process.

Two of the strongest claims that are made on behalf of the 2000 PRSP in Bolivia are that, via the *Ley del Diálogo* and other legislation linked to it,

- it contributed to the consolidation of the PP process, both by ensuring adequate funding to the poorer rural municipalities and by endorsing the territorially based principle of representation that it seeks to entrench as the basis of the state; and
- it enshrined in law the proposal made during the Jubilee Forum for a mechanism of ‘social control’ – that is, stakeholder monitoring – of the use of HIPC and other public resources

Consolidation of popular participation

We remarked earlier that, although they had gained a certain momentum, the LPP reforms were not yet assured of continuity and continued government support at the end of the 1993–97 Goni presidency. What ensured this was, more than anything else, the option taken in the 2000 process to channel HIPC II funds to municipalities, and treat the municipalities and their Vigilance Committees as the main vehicle of mass participation in the Dialogue process. A dialogue mainly engaging functional interest groups and parties would not have had this effect, and would have meant a sharp break with one of the principal reform measures of the Goni regime.

The LPP had implied quite a substantial redistribution of national revenue towards locally controlled social spending – making up a large historic deficit in this area. However, the drafters of that legislation backed off from anything more radically progressive than a population-weighted formula for the distribution of the municipalities’ *coparticipación tributaria* (quota of national tax revenue). In contrast, the decision that emerged from the 2000 Dialogue on the distribution of the additional HIPC monies was both to earmark the funds to primary health and education spending, and to distribute the funds in a way that substantially favoured small, poor municipalities as against larger and richer ones. This resulted in a tripling of what poor municipalities were getting from *coparticipación tributaria*. It had the effect of devolving what is by international standards a large proportion of public expenditure to local government, with an unusual degree of progressiveness in the distribution.

As well as earmarked HIPC funds, the law gave poor municipalities privileged access to a new *Fondo de Inversión Productiva y Social* created on the basis of the existing Social Investment Fund. The EBRP specified that drawings from these funds would be limited by ceilings determined by a poverty-weighted formula, and that priority would be given to projects falling in the areas prioritised by the document.⁵⁹ Considerable limitations on absorptive capacity have affected disbursements from this and other sources of soft investment loans for municipalities, and this may well have affected the progressiveness of the distribution. Nevertheless, municipalities taken as a whole now make an estimated 40% of public investments.

The issue of the distribution formula was hard fought, and the outcome was strongly influenced by the fact that *all* municipalities were consulted. But for the inclusive (though shallow) approach to the municipal consultations – which resulted in the poor areas being in the clear majority – this might not have been the case. Some importance may also need to be given to the fact that the

⁵⁹ Bolivia (2001: xvi.)

distribution formula acquired the force of law, so that it does not depend on short-term political decision-making.⁶⁰

The social control mechanism

For some observers, the creation of an institutionalised arrangement or ‘mechanism’ for involving significant social stakeholders in monitoring implementation is an even more important legacy of the 2000 Dialogue. However, this is controversial. The *Mecanismo de Control Social* was a negotiated compromise between different forces, and many take the view that it is, in some respects, an unhappy one.

The *Ley del Diálogo* not only set down a three-year timetable, requiring a second National Dialogue and a revision of the EBRP in 2003, but specified both technical and process aspects of the monitoring arrangements in advance of agreement on the strategy itself. This has a certain rationality but is unusual in terms of international PRSP practices.

The case for defining a social control mechanism was made most forcefully by the *Pastoral Social* and its allies, as one of the themes carried from the Jubilee 2000 Forum into the PRSP process. It can also be seen as a deepening of the social audit theme in the Popular Participation concept, where its principal manifestation is the *Comité de Vigilancia* (CV). It may have appealed to the municipalisation enthusiasts in the Technical Secretariat for that reason, becoming a point of convergence between these two groups.

The many sceptical readings of the *mecanismo* draw attention to its rather hybrid character, which may reflect this mixed parentage. The structure eventually agreed, in November 2000, was a somewhat complex pyramid. At the base, the mechanism is an arrangement for networking between CVs in different municipalities within and across Departments. It also includes the new local enterprise councils created under recent municipal legislation with the purpose of engaging productive interest groups in a municipal monitoring role. Next come departmental committees, which are made up of representatives of the CV network together with interest groups operating at the departmental level. At the national level, there is both an Assembly composed in the same type of way and a *Directorio* (executive).

The Dialogue had agreed that the Church would take the lead in convening participants in the *mecanismo*. In the event, the elections for the National Directorate were hotly contested between nominees associated with the Pastoral Social and others connected with the *Comité de Enlace* of small and medium-scale enterprise associations, a new body that had made a strong impact during the Dialogue. The *Comité de Enlace* won the position of chair of the Executive Committee, and provides the national Secretariat. Members come from a number of the more development-oriented and less conflictive national organisations, including elements of the CSUTCB.⁶¹

The national executive took some time to get established and, according to most accounts, has been hampered by personality conflicts and other teething problems. Members of the group told us that it is a small miracle that they are functioning at all, given what they perceive as government disruption and the great diversity of the represented organisations. They say that complaints for

⁶⁰ Since 2002, there have been suggestions of changing the law on account of the absorption problems. At the end of 2002, the government decided to reallocate non-HIPC debt relief that had been formerly allocated to municipalities to the national Treasury (*La Razón digital*, 11–14 March). And the EBRP revision currently being proposed appears to take away the automaticity of transfers of HIPC II funds to municipalities, making them conditional upon bids from the mayors’ offices. This is defended as a way of achieving greater critical mass and impact (CEPAS-Caritas 2003: 4).

⁶¹ Eyben (2003a) tells some of the background story of donor involvement. While the Church’s role was strongly backed by German church and development organisations, the *Comité de Enlace* was receiving funding from DFID.

investigation are beginning to filter up the pyramid from base CVs, including about particular abuses of donor funds. In principle, the *mecanismo* is a major user of the EBRP monitoring reports produced by UDAPE. However, it seems doubtful that this really works. The principal consumers of this information would seem to be donors in La Paz and Washington, DC.

Sceptics about the *mecanismo* are of two types. There are those who emphasise the weaknesses of the CV system, and hold that the *mecanismo* is an edifice built on feet of clay. It is recognised that, in spite of a good deal of capacity-building activity, the links drawing together the CVs as a force at department and national level are weak.

On the other hand, there are those who see most of the structure (all, perhaps, except the CV component) as trying to address problems by building parallel structures. The argument is that since the EBRP rightly did not create any separate structures of implementation, there is no reason to create separate monitoring structures. As donor (DFID) as well as Church support is involved, there is a danger of creating vested interests that have no real reason for existing. Although some quite substantial membership organisations are represented on the *Directorio*, those organisations hardly need additional representation in order to press their grievances.⁶²

3.6 Effects on political development

We may now begin to draw out the implications of the analysis in Sections 2 and 3, referring back to the tasks we set ourselves in the Introduction. It appears that the first EBRP process was strongly constrained and shaped by the political situation in Bolivia, which refers to both the underlying institutional structures and long-term trajectory, and the particular conjuncture of 2000. We may also conclude that the process had some limited, partial but definitely positive effects on the course of political development in the country. This claim is based principally on the observation that the PRSP process completed the work of the LPP. In view of the several questions that remain to be answered about the principle and practice of the social control mechanism, we prefer to reserve judgement on this issue.

The argument is, then, that the PRSP process consolidated the position of the new rural municipalities in the structure of the state in Bolivia. Whatever the problems still facing the small *municipios*, in terms of local democracy and capacity to drive local development (and they are major), there are solid grounds for thinking that Popular Participation has improved the structure of the state in ways that will be highly beneficial in the long run. The 2000 process and the results entrenched in the *Ley del Diálogo* ensured that small, poor rural municipalities would be adequately funded on a permanent basis, and that a municipal voice – reflecting the interests of the poor rural, as well as the resource-rich urban municipalities – would be a major new factor on the national political scene.

This may not be the most important contribution the process could have made. It can certainly be conceded that the 2000 process did not confront or try to resolve directly what we earlier identified as the key political development challenge in Bolivia. In fact, we have seen that there is some substance in the criticism that the National Dialogue deliberately avoided what were known to be some of the most difficult and emotive issues of the day. However, we doubt that a frontal attack on these issues would have been feasible or successful.

⁶² Members of the *Directorio* dispute this, on the grounds that there are some complaints that the associations and unions cannot take up themselves, in some cases because they involve the leaderships of those organisations. Members of the organisations trust the *mecanismo* to take up issues they cannot raise within their own processes.

There may also be an indirect contribution to the resolution of the central institutional problems. We have noticed that democratic decentralisation under the LPP did not immediately defuse the confrontations between the peasant unions and the state in its attempts to drive a wedge between the party system and functional interest groups. But there may well be a case to be made that the increased weight for the territorial principle of representation, and the additional linkages between representative democracy and local community organisation, both introduced by the LPP will – in the longer run and more indirectly – have this kind of effect.

If we are right about this, it is interesting to note that this happened despite the PRSP process having been, in most essentials, the work of a ‘small, homogeneous ‘iron triangle’ of transnational professionals based in key Government ministries and donor agencies’ based in the capital city, to borrow Gould and Ojanen’s comment on Tanzania’s PRSP process (see Introduction). This suggests that care needs to be taken not to jump from a description of the principal actors in a process to conclusions about beneficiaries and impacts.

Neither were the principal effects of the EBRP those emphasised by Craig and Porter in their argument about the extension of donor-dominated technocratic decision-making in Uganda (see Introduction). As a matter of fact, Bolivia has done rather poorly so far in generalising the kind of financial best-practice and accountability rules that Craig and Porter see as the main by-product of the convergence of opinion around PRSPs. This sheds some doubt on their general thesis that PRSP thinking implies ‘structural predilections which favor the technical and juridical over the political economic, and a disciplinary framework over a practical contest’.⁶³ At any rate, it confirms that such predilections will not come to the fore in all PRSPs or in all PRSP conjunctures.

⁶³ Craig and Porter, 2003: 53.

4. What place for a second EBRP? Bigger challenges, remaining opportunities

We have argued that the first PRSP process had a specific but nonetheless positive transformative effect on political development in Bolivia. In 2000, the team that gave the process its initial steer decided not to attempt to use it to tame the most difficult social forces in conflict at the time. They took that decision in part because they shared the assessment made by the drafters of the *Ley de Participación Popular* that too much attention had been focused on dialoguing with organisations representing functional interest groups – whether associations of cattle ranchers or bodies of the trade union type – and that the key to both deepening democratisation and institutionalising more pro-poor policy processes in Bolivia was strengthening the role of territorially based organisations.

What happened in the PRSP process in 2000, however, might not exhaust the possibilities of PRSP-type processes in Bolivia. Some things can certainly be learned from the 2000 experience – including generic lessons based on the things that the Bolivian process shares with many other national PRSP exercises. But Bolivia has moved on since 2000. From 2002, there was a new coalition government, which had to make its own decisions under a different and in many ways more difficult set of constraints, including a more obviously unfavourable economic situation. The relationship of political forces has changed dramatically. During 2003, what we identified as Bolivia's key political development challenge asserted itself with a vengeance.

In this section, we describe the changed political context, and then explain the various stages through which official thinking about the PRSP has moved since mid-2002. The second Dialogue is now scheduled to take place within a few months. We conclude with some brief comments on the possible range of political development effects, and on why some of the more damning statements about the proposals that are circulating in the NGO networks may be premature.

4.1 A new political formation

The elections of 2002 revealed a shift in the basic relationship of political forces in Bolivia, a change that is almost certainly permanent. On the eve of the elections, some observers were half aware of what was coming. In the words of Carlos Hugo Molina, the architect of *Participación Popular*: 'To say it in a way that worries many and terrifies some, the "Indians" are not knocking on the door; they are pushing it open' (2002: 255). In fact, what happened in 2002 actually went well beyond anybody's expectations.

Until quite late in the campaign, pollsters were predicting a plurality for the *Nueva Fuerza Republicana*, the vehicle of the Cochabamba mayor Manfred Reyes Villa. In the event the NFR did well, although it profited less than the MNR from the collapse of support to the Banzer/Quiroga ADN. And the principal surprise was the unprecedented showing of a relatively new political formation, the *Movimiento al Socialismo* (MAS). The leader of MAS, and the party's presidential candidate, was Evo Morales, the Aymara leader of the coca growers of the tropical region of Cochabamba.

MAS is the most important product of efforts going back to the late 1970s to create a 'political instrument' for an ethnically awakened and increasingly autonomous peasant union movement. More particularly, it stems from the renewal of those efforts around the Columbus centennial in 1992, and from subsequent splits, fusions, rivalries and propaganda wars between the main factions of the CSUTCB. Some of the relevant details are set out in Box 4.1.

Box 4.1 Background to MAS and MIP

The political instrument project took an important step in 1992 with the formation of the *Asamblea para la Soberanía de los Pueblos* (ASP). It was frustrated in the mid-1990s by a decision of the Electoral Court refusing it recognition as a political party. However, the ASP had notable success in local government elections inaugurated by the *Ley de Participación Popular* by ‘borrowing’ the electoral registration of a small leftist party, *Izquierda Unida*.

Subsequently, the two main leaders of the movement, Alejo Véliz of the Cochabamba regional confederation and Evo Morales of the coca-growing settlers of the Chapare Valley, fell into a bitter rivalry. This reflected, among other things, an alliance between Véliz and the second most important Bolivian campesino leader of recent years, ‘El Mallku’ Felipe Quispe. The rise of Quispe as a national figure, with a rapidly expanding reputation as a protest-movement leader among the Aymaras of the *altiplano* around La Paz, led to his being elected as the top leader of the CSUTCB in 1998 and to his control of a major faction of the national confederation, following a split in 2001 (Albó 2002: Part II).

The upshot was the creation of a new political entity by Morales, using the legally recognised name and political colours of another defunct party (ironically, a fascistoid grouping set up in 1952 with links to the former *Falange Socialista Boliviana*). In 2000, Felipe Quispe set up his own political instrument, the *Movimiento Indígena Pachakuti* (MIP). Although MIP had remarkable success in the elections of 2002, it did less well than MAS. This may be attributable to the fact that Quispe’s reputation is primarily as a protest organiser, and he is regarded as less consistent than Evo Morales on the terrain of opposition politics. In turn, this is partly because successive governments, and the MIR in particular, have been more inclined to make concessions to the Quispe faction (because US policy permits no concessions on coca), and have had some success in targeting it for ‘prebendal’ cooptation (ibid; and for a more partisan statement, Oporto 2002).

The distribution of the popular vote in the 2002 presidential contest is shown in Table 4.1.

Table 4.1 Share of popular vote to presidential candidates, June 2002

| | <i>MNR</i> | <i>MAS</i> | <i>NFR</i> | <i>MIR</i> | <i>MIP</i> | <i>ADN</i> |
|---------------|------------|------------|------------|------------|------------|------------|
| % of the vote | 22.46 | 21.94 | 20.91 | 15.0 | 5.0 | 3.5 |

That is to say, the MAS candidate was within one percentage point of a plurality.⁶⁴ This would not have ensured his accession to the presidency, because of the constitutional rule that unless an absolute majority is obtained, a vote of Congress decides between the top two candidates. Given the political distance between MAS and the major established parties, it is unlikely that a post-election coalition would have been formed around the MAS candidate, even if the latter had sought this. In the event, NFR and MIR combined with MNR to ensure the election of Gonzalo Sánchez de Lozada and his running mate Carlos Mesa.

MAS and the smaller, but also campesino-based, MIP expected to win 5–10 Deputy seats in Congress. In fact, they won 35. Some 80% of the present Congress are first-time members as a result of the success of MAS and other new parties. For the first time ever, Bolivia – a country overwhelmingly populated by people of Aymara, Quechua or lowland Amerindian descent – has a largely indigenous legislature.

⁶⁴ In regional terms, MAS was the strongest performer throughout the *altiplano* (Departments of La Paz, Oruro and Potosí) and in Cochabamba, while MNR led in the eastern lowlands (Pando, Beni and Santa Cruz) and in Chuquisaca.

The rise of MAS as a political party cannot be identified in any simple way with enhanced representation of the interests of the poor in the political process in Bolivia. Nevertheless, the MAS phenomenon involves a more direct form of representation of Bolivia's subaltern classes (if not particularly of the poor) on the national political scene than has been achieved by any previous movement. By the same token, to articulate the aspirations, preferences and assumptions about the world of the broad mass of Bolivians of indigenous descent it constitutes a revolution in the capacity of the formal democratic system.

Perhaps most important of all (from a political development angle), the style and methods adopted by the MAS leaders upon their arrival in Congress involved a dramatic break with the rules of the game of Bolivian party politics. Their decision to remain in principled opposition (that is, not even to attempt to argue that their share of the vote entitled them to join the ruling coalition with a substantial slice of the action) was viewed as highly significant.

The 'indigenous Congress' of 2002 was a massive achievement for Bolivia, and at any rate a significant watershed in the political development of the country. However, this will be more clearly the case if MAS is able to carry through its project of becoming a specifically political actor, concretising its ideological leanings into a radical alternative programme of government, and translating its principled attitudes towards parliamentary 'deals' into a viable way of working in Congress. It is pointed out that the movement is still inexperienced in the ways of representative politics and has little organisational machinery distinct from that of the union movement from which it has grown. It will also be subject to huge pressures of re-cooptation. However, a more serious worry in 2003 was whether it had the will and capacity to contest the political *status quo* on the terrain of politics proper, as distinct from winning political advantage by deploying its traditional weapons of struggle in the streets and highways of the country.

The year 2003 witnessed two periods of substantial political upheaval stemming from mass protests against government policies similar in type to those of 2000 but larger in scale. In both cases, massive disruption of communications, large-scale rioting and violent repression with a large death toll led to the government's backing down on a major policy decision and agreeing to a substantial restructuring of the Cabinet. In the second case (October) the President was forced to resign and his successor agreed to construct a cabinet without any senior figures from political parties. It is not possible to consider what might be obtained from a PRSP process in 2003–04 without taking account of the aftermath of these events.

4.2 The February and October events

January 2003 saw a powerful convergence of several strands of social protest, which led over three weeks to the loss of a dozen lives, mostly of young campesinos around barricades in the tropical zone of Cochabamba. The main focus was a massive roadblock campaign by the main *cocalero* union federation in protest against the government's withdrawal from negotiations over the coca eradication question.⁶⁵ As the leader of the *cocaleros*, Evo Morales was the main figure directing the process and eventually negotiating the terms for its suspension. The episode was seen as an important test of Morales' willingness and ability to combine the roles of militant union leader and statesman, but no significant departures from his previous style of leadership were noticed.⁶⁶

⁶⁵ Negotiations over a proposal to suspend the paramilitary coca-eradication campaign, while a study is made of the scale of legitimate demand for coca leaf came to a halt after Goni took the proposal to Washington, DC, where it was turned down flat by the US administration.

⁶⁶ Toranzo (2003).

In February, more widespread and more violent protests broke out, centred on a government plan to lower the income tax threshold, so that middle-range public servants would begin to pay tax. This was an essential step in the government's efforts to get back on track with its PRGF commitments to the IMF. Protests erupted among several groups, including the national police force, which went on strike, allowing an orgy of rioting and looting to break out. La Paz witnessed scenes of disorder that had not been seen since the days of the 1952 Revolution. The army was brought in to defend key government buildings and stop the looting. Several days of disorder in La Paz, Oruro and other cities left some 31 people dead. The government was forced to withdraw the tax measure and to promise to balance its books by other means.⁶⁷

After February, the Cabinet resigned and was reconstituted, with some significant changes. The Minister of the Presidency, a key Goni adviser from the former MNR-led government, lost his job to his rival in the Ministry of Sustainable Development. For a couple of months, policy innovation in government halted. One result was that the timetable of National Dialogue II began to slip.

In terms of death toll and political effects, the October protest was bigger and more important than those of January-February. Like previous protests, it drew strength from mobilisations on a range of 'anti-globalisation' themes and peasant-union grievances, but it centred on objections articulated by MAS to the terms of export of natural gas to the US (at a fixed price and via a Chilean port). La Paz was blockaded and the army was used to break the blockade. Over 60 deaths resulted. The government was forced to concede a referendum on the gas export contract, a review of the Hydrocarbons Law, and a commitment to convene a constituent assembly. President Sánchez de Lozada resigned in favour of his Vice-President, the former TV presenter Carlos Mesa.⁶⁸

Politically, the post-October situation in Bolivia is as unprecedented as it is perilous. President Mesa has committed himself to governing without politicians and has constituted a Cabinet of 'independents'. Although there may be some scope for further 'technocratic policymaking' to draw some rabbits out of hats, the government has conceded a great deal in principle (except of course on coca, on which successive Bolivian governments have been unwilling to challenge the rigidity of US policy). It therefore has much to deliver. The key leaders of the extra-parliamentary opposition have declared a truce with a time limit, and the record of the last few years suggests that such deadlines are to be taken seriously. In principle, Congress is the place where the elements of compromise and/or the programme of a future alternative government could be hammered out by MAS and potential allies, but the will and capability to use the constitutional system in this way still seems to be lacking.

4.3 Approaching EBRP II

According to the 2000 Ley del Diálogo, a second National Dialogue leading to revision of the EBRP should have taken place on the third anniversary of the first Dialogue – that is, in mid-2003. When we visited Bolivia in January with a view to preparing this paper, it seemed likely that this would happen.

Before the 2002 elections, some observers of the PRSP process took the view that official commitment to it would not survive the change of government. The parties of the former opposition viewed the PRSP as 'Quiroga's baby' and considered that their views had not been seriously taken

⁶⁷ *La Razón digital*, various issues. The means included a restructuring of government to reduce the number of ministries from 18 to 13, and to make equivalent cuts in the public payroll.

⁶⁸ *La Razón digital*, 13–18 Oct 2003.

into account. The MNR had therefore not tried to encompass the EBRP in preparing its plan of government, Plan Bolivia.⁶⁹

Plan Bolivia was, in fact, largely arrived at the critical economic situation and measures that might be taken to revive activity and generate employment over a single presidential term. In this regard, the EBRP was a highly unrealistic document. It assumed continuation of the GDP growth rates of 3–4% that had been achieved on average until 1999, whereas since the collapse in Argentina the national economy had been in a deep recession with few immediate prospects of recovery. The public accounts were now fragile. Already by February 2002, Bolivia was no longer in compliance with its PRGF conditions and was under pressure to cut the public deficit.

In the social field, the centre-piece of Plan Bolivia was a package of measures designed to deliver direct benefits to voters, by reviving the Bonosol (distribution of lump sum benefits to all citizens reaching retirement age, theoretically representing their share of the proceeds from part-privatising state enterprises); by extending free mother-and-child health care; and by subsidising domestic use of natural gas. Although quite pro-poor in their impact (particularly of the healthcare initiative), these measures were not derived from the EBRP.

The new government also came in with a commitment to campaign more vigorously against corruption and other governance problems. Governance issues had been covered strongly in the 2000 National Dialogue and were the subject of a substantial chapter in the EBRP. However, the commitment of the Goni team to these issues again seems to have been arrived at independently. There were, therefore, plenty of reasons for the Goni government should not to have been concerned centrally or immediately with the PRSP agenda.

In reality, of course, there was never any question of the PRSP's disappearing entirely from the government's field of vision, at least so long as Bolivia remained eligible for and in need of IMF assistance and IDA credits. Leaving aside the statutory requirements of the Ley del Diálogo, renewing the EBRP would in any case be a conditionality as soon as new concessional loans were needed. So the question was not whether, but only when and how, the government would turn its attention to revising the EBRP.

Nevertheless, the Goni government moved quite slowly in defining its position on the PRSP. During the early months after June 2002, donor interest in the question was markedly greater than the government's. At a certain point, bilateral donor pressure on the authorities became intense, probably more so than was appropriate or wise. The combined effect of these different constraints and stimuli was that the government, represented by the head of the 'superministry' of Sustainable Development, José Guillermo Justiniano, began to articulate a position which included both recognition of the Dialogue/PRSP process as a state policy, and the outlines of a critique of the content of the EBRP of 2000.

These ideas were informed by UDAPE's monitoring work, and were incorporated in its Review of Progress and Prospects of December 2002. Changes were made in the leadership of UDAPE in November,⁷⁰ which had the effect of increasing the prospects of a mainstream agency of government this time leading the process, as well as the technical data work, of the PRSP. Some of the ideas about process and substance were influenced by interaction with donor representatives, particularly from some of the bilateral agencies most committed to the PRSP idea. It is less clear that the Mecanismo de Control Social exercised any influence.

⁶⁹ Zegada (2002).

⁷⁰ For example, the appointment of Dr George Gray-Molina, a political scientist, to the directorship.

The government's initial approach

Key ideas set out by the government representatives and discussed with a panel of national experts, with NGOs convened by the *Mecanismo de Control Social* and with donors, before the end of 2002 included:

- the need to put the economy, growth and employment generation at the centre of the next PRSP;
- the wish not to sacrifice efficiency to equity in the distribution of any additional resources for poverty reduction, with questions about absorptive capacity looming larger;
- the government's duty to propose not merely a process for the Dialogue, but a substantive policy framework on which stakeholders would be invited to comment (as opposed to collecting opinions and drafting afterwards);
- the possibility of building EBRP II around a limited number of pacts or compacts (i.e. agreements to undertake specific tasks) between government and a modest number of key interest groups, and between some groups without government participation.

All this was discussed before the February events. The general disruption and subsequent reshuffle not only affected the government's ability to respect the legally required timetable for the new Dialogue, but also overturned some of the assumptions being made about the scale and difficulty of the task. Nevertheless, the basic approach was not changed, and the proposal for a new EBRP that was circulated among donors in August and presented to the Consultative Group meeting in Paris in October contained the same elements.

On one aspect greater clarity appears to have been achieved since January, that is, the intention to take as a central focus of analysis the obstacles currently facing a limited number of *cadena productivas* (productive or commodity chains), particularly those with strong employment effects and the potential to penetrate international markets. Some 14 such chains have been identified, taking into account a combination of market potential and income distribution effects.

Strengths and pitfalls of the process proposals

The most important distinguishing feature, from a process point of view, of what has been proposed is the principle of selectivity. That is, the government is taking the view that, rather than undertaking to discuss all national problems with everybody, they should seek agreement on a limited number of specific issues with a limited range of interlocutors.

In some ways, this can be seen as an extension of the approach of the 2000 Technical Secretariat, which went for highly focused and non-inclusive discussions at the municipal level to get agreement on the most critical questions of the moment, and only later – and to some degree in response to pressure – opened up the debate to other issues and constituencies. The difference is that the priority perceived in 2000 was the funding of social spending and investment in rural municipalities, whereas the priority today is income and employment generation.

The selective option makes good sense, on the assumption that it is not pursued too timidly. It will clearly not be defensible if there is no serious discussion of the market and non-market factors that are blocking development and poverty reduction in the 14 commodity chains. It would be surprising if these did not include some of the bigger and more controversial topics: land registration; the tax system; the use of gas revenues; militarisation of coca-growing areas; reform of the civil service, etc.

Another important process feature is the government's decision to invite comments on an already written policy document, rather than to write one on the basis of the Dialogue. This type of approach was not entirely missing from the 2000 process, as discussion drafts were prepared in advance. However, what is now proposed does seem like a substantial step away from the usual PRSP practice based on a generous but rather woolly notion of participatory policymaking.⁷¹

On the other hand, it does not seem likely that either of these features will stand up well to scrutiny if the big guns of the social protest movement are not involved in the process. This is not an easy matter. It is hard to be sure, without much better information than we have, whether serious engagement by MAS and/or CSUTCB is at all likely. One thing that is obvious is that the Bolivian policy debate involves some intractable issues that are quite a lot more complex than the more demagogic international NGO commentaries would suggest.⁷² That does not necessarily mean that it is impossible to have an apex-level dialogue on them. It does, however, imply the need for serious analytical preparation by all parties to the discussion. This is no less true if an effort is being made to look at the issues concretely, as they affect specific productive sectors.

This has an important implication, which is that the Dialogue needs to be very well prepared and not too pressurised. It would be important to get some preliminary understandings with technical staffs from the relevant interest groups well in advance of the main event. This would call for careful cultivation of the relevant relationships, first at the technical level and later at the political level. Working against this is the fact that the pressure to secure a quick fix will shortly become extremely strong, if only because the government will find itself out of compliance with the law.

Ways need to be found of relaxing that pressure, if necessary by further legal measures, suitably justified. It is critical that the donor community understands that, and does not convey any sense of impatience to the government that would contribute to a truncated exercise. Under no circumstances should donor agencies' own funding timetables become a factor influencing these issues.⁷³

Modifications post-October

It remains to be seen how far National Dialogue II will be able to steer the course that has been set for it, without becoming either narrow and exclusive on the one hand, or unfocused and disorderly on the other. The shape and enforceability of the 'compacts' that are reached will be worth watching closely.

This was the position before October. However, the governmental changes and policy statements made by President Mesa since 17 October have suggested a possible expansion of the objectives of the Dialogue and thrown several additional uncertainties into the process. At the end of the month, the Director of UDAPE announced that the Dialogue would continue to take as one of its main axes the economic recovery theme and the productive sectors; however, it would also add as additional major topics or pillars i) the implementation of the government's new commitment to convene a Constituent Assembly, and ii) the organisation of a binding referendum on the export of gas. In the

⁷¹ A controversial aspect is the fact that, as noticed above, the government (still under Sánchez de Lozada) took the draft EBRP II to the donors at the October CG meeting before it had been formally discussed with civil society organisations. This was criticised by World Bank officials as inconsistent with a fundamental PRSP principle. It is also interesting that in August the government took the draft to New York for consultations with the UN commission headed by Jeffrey Sachs. This resulted in some improvements in the alignment of the targets with the Millennium Development Goals.

⁷² e.g. Kruse (2003).

⁷³ At the time of our January 2003 visit, the World Bank was under pressure to renew its Country Assistance Strategy, for which it needed the PRSP revision. It is reassuring that the Bank went ahead and wrote a CAS in support of an extended PRSP revision process.

new political context, the Dialogue would be conducted ‘in an absolutely open way, without excluding anyone or any topics’.⁷⁴

Thus, the Dialogue may be significantly wider, thematically and probably in terms of participation, than was intended earlier in 2003. It may nevertheless retain sufficient focus, as the two additional topics are relatively specific and concerned with implementation modalities rather than the substance in both cases.

Other recent news includes a decision to postpone for a further year the introduction of a three-year budget, and public discussion around that.⁷⁵ The multi-year budget or MTEF initiative has been widely advocated as the missing link preventing the translation of the first EBRP into prioritised spending plans. Although understandable in the circumstances, the postponement is a significant blow, in that it means that the priorities of EBRP II may not be reflected in public investment and spending plans any more than those of EBRP I were.⁷⁶

During 2003, while the official preparations for Dialogue II were being held up by political events, other actors went ahead and organised consultation events on high-profile issues of broad relevance to the PRSP. A Church-led *Reencuentro* tackled some of the fundamental political conflicts; the national Human Rights Assembly held a Social Summit; and the *Mecanismo de Control Social* began to adopt a more openly political stance, provoking concerns in some quarters about its function and role.

In the meantime, the timetable for the official Dialogue has now slipped to April 2004 at the earliest, with observers suggesting that it may be subject to further delays. The process is being steered by a 22-member Board, consisting of 11 members each from civil society and the executive branch of government. As in the 2000 process, neither political parties nor members of the legislature are currently involved. This exclusion has been given a particularly ironic and troubling twist by the fact that since October the country has been governed without the participation of party leaders or their nominees. Much depends on how the parties are going to respond to the unprecedented vote of no confidence that the events of the last year have transmitted to them.⁷⁷

Hardly less worrying is the poor prospect, at the time of writing (early February 2004), of the big battalions of civil society being drawn into the Dialogue. MAS itself is affected by the general exclusion of political formations. At the same time, the focus on specific commodity chains is producing engagement with some trade-union base organisations, as well as with the producer associations of the *Comité de Enlace*, municipal authorities and some indigenous peoples’ confederations. It is not so clear though, that the needed groundwork is being done to draw in the powerful apex bodies, the COB and the CSUTCB.

4.4 Possible implications for political development

It is obviously not possible to be as firm about the likely effects of Dialogue II as we were about those of Dialogue I. Bolivian politics is in a considerable state of flux. What we identified as the most significant challenges to political development in Section 2 now loom larger than ever. The crisis of confidence in the party system has reached new heights, symbolised by the new President’s

⁷⁴ *La Razon digital* (31 Oct 2003). Although Congress would not participate in the Dialogue, members of Congress would be invited to participate, without any exceptions, in the work of the Dialogue’s Board (*Directorio*), according to the report.

⁷⁵ *Ibid* (2 Nov 2003).

⁷⁶ CEPAS-Caritas (2003: 2).

⁷⁷ At present, the attitudes of the parties both to President Mesa’s government, and to regaining public respect by reforming themselves, are still in flux.

decision to exclude party leaders from his Cabinet. The capacity of the politics of the street to overturn the decisions of constitutionally elected governments has been demonstrated more dramatically than ever before. In spite of their much enhanced presence within the Congress, the leaders of the protest movement appear committed to advancing the cause of anti-neo-liberalism and the defence of coca primarily in the streets, and secondarily at best by parliamentary means.

The PRSP process should not be expected to be a solution to these problems; they are, in any case, not likely to be resolved easily or quickly. On the other hand, provided the Dialogue is conducted as now planned, it may be possible to achieve some useful consensus on certain aspects of the proposed axes of discussion. In a political development perspective, the convening of a Constituent Assembly in the near future has obvious potential. The idea of negotiating 'compacts' around a set of *cadenas productivas* is a more novel and untested one in international terms, but if it works to any significant extent, it may generate new institutions with an ongoing role. If this happens, further weight may be added to the institutional forces counteracting the overwhelming significance of the party-union struggle in Bolivia. Even though there is no alternative in the long run to efforts by both parties and unions to reconstitute themselves and alter their behaviour, this will become more likely as the institutional structure of public life becomes more differentiated and multi-polar.

5. Conclusions

5.1 Summing up

Bolivia faces large, complex and fascinating challenges of political development, which embrace the way the country eventually comes to terms with its colonial and post-colonial past; the relationship between representative democracy and indigenous traditions of leadership and participation; and the construction of a state that is both less centralised and more effective. The PRSP agenda relates mainly to changing the relationship between national institutions and donor agencies, and it is relevant to Bolivia for the same reasons as in other poor countries. However, because of the way it stimulates, or at least provides occasions for, processes of dialogue between major institutional actors within the country, it is also potentially relevant to several other dimensions of political development. At any rate, the nature of its effects on political development – and whether these are on balance positive or not – is a legitimate concern.

If our argument is correct, the National Dialogue process that produced Bolivia's first PRSP in 2000 had particular, deliberately intended and quite important institutional effects. It resulted in advances in one area of political development, that of municipalisation and Popular Participation, that would not otherwise have been either guaranteed or so powerful. It did not contribute directly to resolving problems that are central to the political development agenda (finding less confrontational ways of addressing central policy issues such as coca eradication and funding the fiscal deficit). However, there is a case for thinking that it may do so indirectly and in the longer run.

The PRSP has proven a relatively weak instrument for transforming the aid relationship. The central reason for this is that, like many other PRSP countries, Bolivia lacks a working MTEF or other instrument for translating agreed priorities into changes in spending plans. Neither the striking advances in technocratic decision-making nor the particular worries about broader political development, been highlighted in recent critical studies of PRSP experience in Uganda and Tanzania, are much in evidence in the Bolivian case. This underlines the importance of investigating the political effects of PRSPs, and of not assuming that these will always be the same.

The observation that the first PRSP process in Bolivia engaged in a selective and partial way with the issues affecting national political development (even though it eventually generated a comprehensive, possibly overly so, document) helps to clarify the options in 2003–04. By law, a second National Dialogue must take place very shortly, leading to a revision of the EBRP, but there is room for this to be a very different type of process. In fact, it is more or less inevitable that it will be.

In 2003–04, it is clearly right for the government to embrace the challenge of dialogue with major national interest groups, including the most conflictive ones. It also seems wise to do so on the basis of a quite selective agenda, well prepared in advance by government and carefully managed with a view to achieving a small number of binding 'compacts' on key policy issues. Although the original proposal has now been widened by making the gas referendum and the constituent assembly pillars of discussion along with employment and poverty in selected productive sectors, a reasonably focused debate should still be possible. Excluding some big players by not allowing them time to prepare themselves technically remains the biggest danger.

5.2 Further implications

In principle, PRSP exercises, particularly the required element of consultation with national stakeholders, can have either positive or negative effects, or both, or none at all, on processes of national political development. The PRSP concept visualises that the exercises will result in greater national ownership of poverty-reduction efforts, with increased accountability of government to non-governmental stakeholders for performance in this regard. Since increasing this type of accountability is one of the key challenges of political development in most poor countries, it would appear that if they are successful at all in meeting their objectives, PRSP processes will also contribute to political development. However, this is certainly too simple a view; the critical studies cited in the Introduction rightly raise questions about it.

In general, PRSP consultations have often had little impact outside a narrow circle of donors and client organisations. Moreover, a case has been made that the rather NGO-oriented first round of PRSP consultations in Africa damaged the emerging role of national legislatures, by enhancing the tendency of the executive-donor bloc to bypass them in making policy. There is nothing in the PRSP concept (as opposed, perhaps, to its earliest formulations by the Bretton Woods institutions) that makes this inevitable, but also nothing that provides guarantees against it.

We have argued that Bolivia 2000 was not a case either of negligible or of negative impact on political development. There also seem to be some grounds for expecting that the 2003–04 process will have neither negligible nor negative effects. However, there is also a point of more general interest. Our analysis has shown that, at any one time in Bolivia, there were several *different* ways the process might have contributed positively to political development. Although the range of options was much constrained by the political structures of the country and by the political conjuncture of the moment, there were nonetheless choices that had to be made, and were made.

These choices were both about the kinds of institutions that could serve to mobilise and channel resources for poverty reduction, and about how best to take forward the process of political institutionalisation in the country in general. In retrospect, it is not hard to make sense of the decisions that were taken, but it does appear that they were not the only options, even in the light of the conditions prevailing at the time.

An important related point is that conjunctural considerations can play an important part in shaping the possibilities of a PRSP process, and determining what can reasonably be expected from it. In relating to a PRSP process, it is essential to understand the political moment as well as the long and medium-term political context. As a corollary, what was possible and useful in one conjuncture may not be a good guide to what can and should be expected at another moment, even in the same country with the same political actors.

A suitable point to end with concerns donor willingness and capacity to grasp such subtleties. The former head of the DFID office in La Paz has acknowledged that ‘most members of the donor communities have not yet adopted the new agenda of understanding recipient politics and political processes’ (Eyben 2003a). Yet, if we are right about the relationship between PRSPs and political development, there is much scope for intelligent supportive action based on sound political analysis by donors. There is also corresponding scope for doing harm by misunderstanding what exactly is going on. This implies that donor agencies need to be good at political analysis, or be capable of tapping into national sources of such analysis (which in Bolivia’s case are considerable). Hardly less important, they need to be capable of taking a reasonably long-term perspective and of sustaining institutional memory.

Annex 1. List of persons interviewed

Bilateral donors

Sam Bickersteth, Head of Office, DFID
 Oscar Antezana, Economist, DFID
 Adam Behrent, Governance Adviser, DFID
 Jason Lane, Health and Institutional Reform Adviser, DFID
 Paulos Berglof, ASDI (Sida)
 Peter de Haan, Netherlands
 Carlos Carafa, COSUDE (Swiss)

Multilaterals

Carlos Mollinedo-Trujillo, Economist, World Bank

NGOs/think tanks/consultants

James Blackburn, Grupo Nacional de Trabajo para la Participación
 Marcelo Frangel, GNTTP
 Javier Gómez, CEDLA
 Carlos Toranzo, ILDIS
 Ricardo Montesinos, Federación de Asociaciones Municipales
 Horst Grebbe, PRISMA/Universidad Católica
 Juan Carlos Nuñez, Conferencia Episcopal
 Susana Inch Sainz, Lawyer, Conferencia Episcopal
 Hugo Fernández, UNITAS

Membership organisations

Marta Lazo, Comité de Enlace de Pequeños Productores and President, Executive Committee,
 Mecanismo de Control Social
 Seven other members of the EC representing associations, unions etc.

Government advisers

Ivan Arias Durán, Adviser to Congress/ former Vice-Minister

Government

Kathlen Lizárraga, UDAPE

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