

## SECTION II

### **Methodology and Terms**

This analysis draws on information gathered through assessment interviews conducted in May and August 2004, NDI program experience with Bolivian political party actors, desk research, and NDI work on political party development around the world.

The preliminary assessment mission took place from May 20 to May 31, 2004. An NDI assessment team interviewed political party elites, elected officials, and a range of civic leaders regarding the political incentives that affect pro-poor reform. This information was then used to frame a series of structured interviews that were conducted in August. In total, NDI drew on information from more than 75 interviews; several included multiple participants. Interviews conducted specifically for this research project took place in each of Bolivia's nine departments, and included at least:

- 8 mayors;
- 2 prefects/deputy prefects;
- 15 municipal council members;
- 8 current and former members of congress;
- 4 union leaders;
- 15 NGO representatives;
- 4 Civic Committee members/affiliates; (Departmental body)
- 5 Oversight Committee members; (Municipal body)
- 7 party leaders;
- 4 current or former ministerial appointees;
- 7 think tank or academic analysts; and
- Numerous party members; union members; and student activists.

For purposes of this analysis NDI uses the term 'parties' to include all parties in Bolivia with national structure, representatives in the legislature, and some experience as a member of a national governing coalition.

### SECTION III

#### Conceptual Framework

Despite excellent strategic plans, the implementation of major reforms, and a commitment to democracy and capitalism, gross inequality has mired a large part of Bolivia in poverty. To date, neither domestic strategies nor foreign assistance packages have prompted significant socio-economic inclusion or the type of growth which benefits the poorest members of society. Consequently, previously excluded groups are now strenuously asserting their right to economic and political participation. Recently mobilized indigenous groups demand resolution to what they perceive as elite-capture of Bolivia's democratic dividend. Successful MAS participation in national elections, and paralyzing demonstrations on the streets of La Paz, both attest to these groups' new-found social power.

Because this new ability to make political demands is a necessary condition for increasing equality among Bolivians, it is ultimately a prerequisite for genuine poverty reduction efforts. However, Bolivia's current political party system is built on a cartel-like structure with significant vested interests. Consequently, most people believe that the parties are unlikely to reform quickly or painlessly. Despite this, Bolivia's political parties presently control all levers of state authority, and will likely continue to do so in the near term. Sustainable poverty reduction efforts—particularly reforms intended to address the structural roots of

#### WHAT IS "PRO-POOR REFORM"?

The concept of pro-poor change can be defined in several ways. Generally, the development process will be more "pro-poor" to the extent that:

- Economic growth drivers are such as to create demand for the resources and skills to which the poor have access (for instance, growth based on labour-intensive manufacturing and services or on smallholder agriculture will be more propoor than growth based on the capital-intensive exploitation of mineral resources).
- The resources of the poor are enhanced (particularly through improved health, education, transport and communications infrastructure) to enable them to exploit the opportunities that growth processes may create.
- Institutions of particular relevance to the livelihoods of the poor are accountable to them and/or responsive to their interests.

The issue is therefore how a country might move from a situation in which economic growth is weak and narrow in its impact, the resources of the poor are limited and eroded, and institutions are unresponsive to their needs, towards sustainable, rapid, and relatively pro-poor growth.

Excerpted directly from: *Drivers of Pro-poor Change in Nigeria?* Component one of DFID's "Drivers of Change Initiative" in Nigeria, 2003. Compiled by a core team from Oxford Policy Management comprising Stephen Jones (Team Leader), Evelyn Dietsche (Political Scientist), Tim Ruffer (Economist), Kathryn Nwajiaku (Political Scientist) and Astrid Cox (Research Assistant).

poverty—must therefore be designed to work through this political reform process, lest economic reforms be derailed or discarded along the way.

In light of this situation, the UK Department for International Development (DFID) asked NDI to analyze the role that Bolivian political parties and leadership play in pro-poor reform processes, and to present the findings to the international community in a way that could be used to design country assistance strategies that are responsive to the Bolivian political reality. Pro-poor reform refers to a multi-faceted process that incorporates 1) equitable access to resources or markets; 2) open participation in productive economic activity and the creation of economic opportunity for the impoverished; and 3) increased responsiveness and accountability of formal institutions whose actions affect the livelihood of the poor.<sup>1</sup> At present, the Bolivian political system's crisis of legitimacy fosters a great deal of instability, both real and perceived. A majority of the population believes that state institutions are not only unresponsive and unaccountable, but that political leaders are actively pursuing their own economic self-interest at the expense of the poorer majority. Consequently, NDI focused this research on identifying current political incentives and disincentives for advancing the implementation of real reform, which enhances political accountability, and sustained responsiveness to the needs of the poor.

### **Why Examine The Political Party System?**

In consolidated democracies, political parties play a number of key roles in governance. Most obviously, they manage campaign efforts necessary for competitive elections. However, re-election typically hinges on demonstrating responsiveness to citizens' needs, which gives political parties an incentive to develop and ensure implementation of effective policies. In essence, consolidated political parties are motivated by the desire to secure elected office, and party behaviors are intended to increase their members' chances of being elected. During elections, parties and candidates compete by attempting to convince a majority or plurality of voters in a specified geographic area that their party or candidate will do the best job of governing that area. In many places, "governing well" is equated with improving quality of life for citizens. Consequently, once its members achieve an elected position, each political party has a sustained incentive to coordinate successful policies among those members, so as to build a party reputation for "governing well."

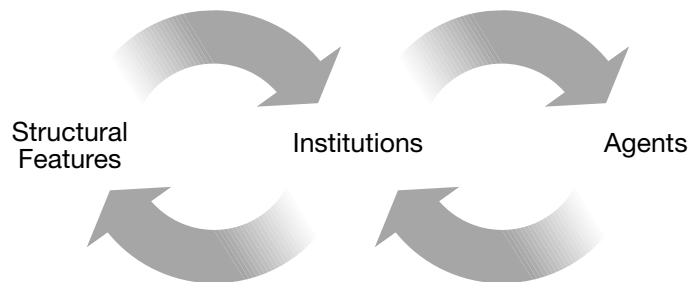
*"Too many parties is a problem... but no parties at all is an even bigger problem"*

*—Political analyst*

Similarly, a party that is in the opposition has an incentive to point out government failures and articulate alternative policies, so as to increase the likelihood that voters will see the opposition party as a credible alternative government and vote for it at the next election. In this way, competition between political parties offers a sustainable mechanism for countries to select, test, and reject or adopt policy options—including poverty-reduction measures. Furthermore, politically motivated use of oversight functions such as legislative investigations, or publicly available cost- and impact-analysis, is part of what keeps

democracy stable but responsive. Governing parties know that the opposition will publicize their policy errors or failures to respond to public needs. When elections are based on political competition, this knowledge serves as an incentive for the governing party to promote sound policy, to implement it as promised, and to adjust it when it needs change. Finally, as the groups that coordinate electoral campaigns at all levels of government, political parties are uniquely situated to affect reform processes at all levels. In many places, political parties are the only domestic actors with structural incentives to coordinate among municipal, regional, and national levels.

Despite this “natural role” in reform processes, the incentive structures in developing political systems often prevent political parties from fully playing this role, and can instead serve as an obstacle to effective political and economic reform. In Bolivia, democracy is neither consolidated nor stable, but political parties’ control of state institutions is still powerful. It is publicly accepted that elections are not based on healthy policy-based competition. This document details some of the causes and consequences of the non-competitive nature of parties in the following section.



*Diagram of Drivers of Change as developed for DFID by Oxford Policy Management*

Despite this lack of competition, and the ongoing crises of legitimacy and credibility, political parties will remain a feature of Bolivia’s political system as long as the country continues to hold elections for public office. Elections—particularly national elections—require some mechanism for selecting and organizing support for individual candidates. Once a citizen group organizes to play this role, it has become, by definition, a political party.<sup>2</sup> Furthermore, the structural, institutional, and behavioral factors that shape the incentives driving political parties today have evolved over time and have the potential to affect any new group coordinating candidates for office. To date, many Bolivians feel that evolving characteristics of the political party system have not only diminished the parties’ incentive to engage in meaningful pro-poor reform, but also eroded the public credibility

#### **POLITICAL CARTELS IN THE BOLIVIAN CONTEXT**

NDI uses the term “political cartel” to refer to a small group of powerful actors who share control of nearly all elected offices. As with an industry cartel which controls the supply for an entire product market, the actors in a political cartel monopolize entry to political office. In the case of Bolivia, this cartel includes the political parties.

of the entire system of representative democracy. Thus, even a wholesale replacement of the political parties would not alleviate the problematic nature of politics in Bolivia.

With this in mind, it is logical that the international donor community, faced with what appears to be constantly derailing reform processes in Bolivia, would wish to examine the overlapping structural, institutional, and behavioral factors that shape political incentives. When these driving forces are better understood, donors can design programs with a more realistic understanding of how their assistance will be received.<sup>3</sup> However, the factors which shape political incentives to engage in—or actively prevent—reform processes are overlapping and mutually reinforcing phenomena. Consequently, this document identifies specific characteristics of Bolivia’s current political environment that affect the pace of reform, and highlights the roots of each characteristic in structural, institutional, and behavioral factors. The major characteristics under analysis are as follows:

- Constructive competition among political actors is absent. In its extreme form, interviewees describe a situation in which competition has been replaced by collusion among political groups to retain access to office and state wealth. In less extreme cases, the absence of competition reduces incentives for parties to coordinate policy or pursue deep reform.
- Reinforcing networks of wealth and political authority perpetuate political cartels by concentrating power in the hands of wealthy elite with vested interests in maintaining informal access to control.
- Bolivians feel that constant reform rhetoric is unaccompanied by changes in quality of life for a majority of the population. This fuels public cynicism about politics and convinces the general public that political parties are unable to drive tangible reform. This opinion is particularly pronounced among indigenous groups, who have seen the least impact of state reform to date.
- Existing and emerging centers of political strength in Bolivia are polarizing vehicles for economic and political participation in society. This consolidated conflict prevents incremental reform and may reinforce segregation.

After describing the evolution and current nature of these characteristics, the paper moves on to assess their impact on the formulation and implementation of pro-poor reform in Bolivia. Finally, the report makes recommendations for international donors designing programs to support sustainable poverty reduction in Bolivia.