BOLIVIA'S POLITICAL PARTY SYSTEM AND THE INCENTIVES FOR PRO-POOR REFORM
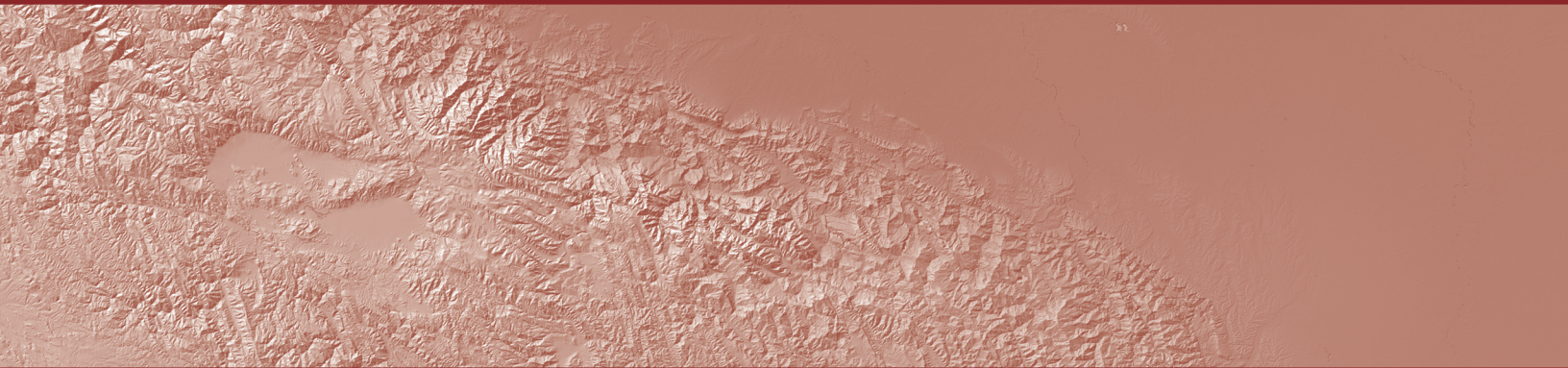
ASSESSMENT REPORT AND PROGRAM RECOMMENDATIONS
OCTOBER 2004

THE NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS

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and the Incentives for Pro-Poor Reform**
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The National Democratic Institute for International Affairs

Acknowledgements

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Acronyms

ADN	Acción Nacionalista Democrática (Nationalist Democratic Action)
ACOBOL	Acociación de Concejalas de Bolivia (Association of Women Councilors of Bolivia)
COMIBOL	Corporación Minera de Bolivia (Mining Corporation of Bolivia)
CSUTCB	Confederación Sindical Unica de Trabajadores (Confederation of Bolivian Peasant Workers)
DFID	UK Department for International Development
MAS	Movimiento al Socialismo (Movement Toward Socialism)
MBL	Movimiento Bolivia Libre (Free Bolivia Movement)
MIP	Movimiento Indigenista Pachakuti (Pachakuti Indigenous Movement)
MIR	Movimiento de Izquierda Revolucionario (Movement of the Revolutionary Left)
MNR	Movimiento Nacionalista Revolucionario (Nationalist Revolutionary Movement)
MRTK	Movimiento Revolucionario Túpac Katari (Túpac Katari Revolutionary Movement)
MSM	Movimiento Sin Miedo (Movement Without Fear)
NDI	National Democratic Institute for International Affairs
NFR	Nueva Fuerza Republicana (New Republican Force)
NGO	Non-Governmental Organization
OAS	Organization of American States
UCS	Unidad Cívica Solidaridad (Civic Solidarity Union)
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development

SECTION I

Executive Summary & Recommendations

This report examines the Bolivian political party system in order to highlight incentives and disincentives for advancing pro-poor reform, with an eye to direct budget support. Despite the country's excellent strategic plans, the implementation of major reforms, and a commitment to democracy and capitalism, gross inequality has mired a large part of the population in poverty. Domestic reforms and significant foreign assistance packages have had limited success in promoting economic inclusion. In 2003, Bolivia experienced some of the most violent and politically destabilizing events in recent history. Immediately following the proposal of significant economic reforms, the country exploded into widespread anti-government protests, which led to the deaths of nearly 80 civilians and, ultimately, to the resignation of then-President Gonzalo Sanchez de Lozada. A host of factors contributed to the tensions that motivated the protest and chaos of 2003, but many have wondered how Bolivia's outwardly democratic political system could have enabled technically sound strategic reform and yet produced such intense social unrest.

The explanation is, in part, embedded in the structures, institutions, and behaviors that make up the Bolivian political system. Built on a cartel-like party structure with substantial vested interests, the political system will need to be reformed before poverty reduction efforts will be successful. Beneath Bolivia's democratic institutions, mutually reinforcing networks of wealth, ethnicity, and political authority perpetuate exclusion. Historical experience and ongoing inequality contribute to widespread public dissatisfaction with the political elite, and to general sentiment that the country's political leaders are too self-interested to promote any meaningful reform.

Despite the challenges built into Bolivia's political system, sustainable poverty reduction will ultimately require the constructive involvement of political parties. At present, the parties control nearly all levers of state authority, and will likely continue to do so for some time. As the bodies that coordinate election to public office, they are intimately involved in the decision-making process of every elected and appointed official. As the only official non-state link among all levels of government, parties are also one of the few domestic mechanisms capable of sustaining coordination of policy formulation and implementation.

The need for more effective political management of economic reform in Bolivia is clear; most poorer Bolivians believe that the country's political leaders have been unable and unwilling to correct for years of economic, social, and political exclusion. Although political parties are not opposed to poverty reduction, it appears that there are several strong disincentives for actively pursuing the types of reform needed to achieve sustainable

change. This has led to the development of a centralized party system that lacks the internal communication, decision making, and coordination mechanisms needed to pursue specific reforms in a consistent and effective manner.

Based on this analysis, NDI makes the following recommendations to members of the international development community presently formulating their country assistance strategies for Bolivia:

1. Organizations hoping to support political stability and pro-poor reform at a macro-structural level should emphasize the following:

   • Structural reform that deconstructs political appointment practices and reinforces healthy political competition. Recognize that these reforms are political by nature and therefore likely to meet strong resistance from entrenched interests.

   • Long-term institutions that not only bolster the social capital needed to overcome years of political and economic exclusion, but that also satisfy the demands of emerging democratic institutions (professional education; partisanship; civic education).

   • Lending and monitoring mechanisms or timetables that are sufficiently flexible to accommodate the inherently political process of reducing poverty and exclusion.

2. Organizations hoping to provide technical assistance that fosters stable transition and alleviates short-run insecurity should focus on the following:

   • Promotion of healthy political competition.

   • Focusing new political actors on the constructive aspects of formal political involvement.

   • Restoring confidence in political communication through public education and expectation management.

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

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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.[1] 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."

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

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

—Political analyst

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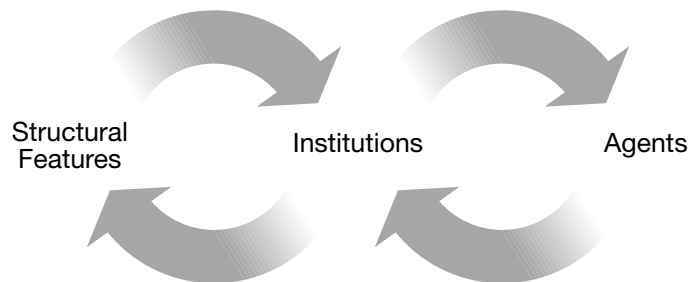
Diagram of Drivers of Change as developed for DFID by Oxford Policy Management

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.[2] 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.[3] 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.

SECTION IV
Unpacking Bolivia's Political System and Reform Process

On paper, Bolivia's current political system is defined by multiple political parties; a bicameral legislature that combines deputies from single-member districts and national political party lists; a president whose candidacy is established by direct popular vote but whose ascension to the presidency is established by the Congress; and a local government structure still undergoing decentralization. Regular electoral reforms (1979, 1986, 1991, 1994, and 1996)[4] may be seen as efforts to retain representative institutions while battling historic exclusion and the legacy of an overly strong executive. Similarly, Bolivia's reform process appears to have concrete turning points, each of which saw the government undertake broad economic and social reforms in response to untenable socio-economic conditions. Since 1979, Bolivia has been officially characterized by increasing economic liberalization and institutionalized recognition of the indigenous population through such measures as the Law on Popular Participation.[5] However, domestic policy and the impact of various reforms have been heavily influenced by external events. External influences such as the global financial crises in the late 1990's, or the United States' aggressive coca eradication efforts have created additional challenges for a country attempting to emerge from the legacies of military dictatorship and a centrally managed economy.

Contrary to what might be deduced from the description above, Bolivia's reform process regularly stalls because of the internal workings of the political system. For multiple reasons, social politics in Bolivia are marked by an extreme sense of ethnic exclusivity and a very strong belief among the poorer majority that the entire political class has benefited from their poverty and therefore has no interest in pursuing meaningful reform or even providing assistance. This lack of public legitimacy weakens Bolivia's status as a representative democracy. As popular dissatisfaction grows more apparent and more articulate, individuals within the political class—which are by now accustomed to controlling the levers of economic and political power—are increasingly fearful that their way of life is under threat. Whether the challenge appears as the electoral success of organized actors like Evo Morales's MAS party, or as angry crowds of poor indigenous citizens on the roads to La Paz, a politically mobilized indigenous population is a real threat to the status quo. Over time, the fear of being sidelined could become a driver of change, motivating the political parties to implement reform that ultimately leads to power-sharing among ethnic and class groups in Bolivia. Alternatively, it could lead established political actors to protect the status quo through exclusive collaboration among political parties. These are the forces at work beneath Bolivia's official economic reform processes. This section, therefore, attempts to unpack the elements of Bolivia's political system which support this confrontation between an excluded, suspicious majority and entrenched political actors. It is intended to describe the political reality in which country assistance programs must operate.

Lack of Partisan Competition Among Traditional Powerbrokers

At the most basic level, poverty reduction programs and associated reform processes have weak political support because demonstrating capacity to implement effective reforms is not a significant factor for gaining or maintaining elected office. Absent the need to demonstrate service delivery or reform, there are few political incentives for parties in or out of government to mobilize or coordinate the pursuit of poverty reduction initiatives. The consequence is that commitment to specific reform initiatives at a senior ministerial level does not translate to implementation at key bureaucracies or local administrative offices. Furthermore, in an effort to retain access to the political appointments that supporters have come to expect, competition has been replaced by political collusion at national levels. This lack of competition has several roots:

The modern Bolivian state was built through partnerships of powerful elites

There is a great deal of historic precedent for powerful elites working in partnership to pursue economic self-interest with little recognition of the needs of the poorer indigenous majority. Bolivia's earliest economic and administrative structure was originally organized around managing the silver mines on behalf of colonial Spain. After independence, territorial military campaigns, frequent regime changes, and multiple revisions of the constitution between 1825 and 1900, left the formal state in constant upheaval, but did little to alleviate state reliance on indigenous labor and taxation for economic viability. Frustrated at corrupt country management and Bolivia's loss of its coastal territories in the Pacific War with Chile of 1880—and bolstered by reconsolidation of the agricultural sector and the discovery of new, profitable mineral deposits—large landowners and mine owners formed political parties to contest office. Elections, in which only a literate, Spanish-speaking, landowning minority were eligible to participate, yielded governing authority to the business elite, while the military provided a monopoly of force needed to retain control.[6] This partnership of business interests and the military set a precedent for the Bolivian state to make economic reform decisions based solely on the needs of an emerging business class. The indigenous majority would remain a source of revenue and labor, but their needs would not be factored into state development plans.

The revolution of 1952 and the rise of the MNR brought with it reforms that affected the entire population. Universal suffrage, significant agrarian reform, efforts at land redistribution in the western portion of the country, nationalization of the mines, and deep unionization brought the indigenous populations much more formally into the economic equation.[7] Unions provided an official mechanism for negotiations between the politico-business elite and previously unorganized laborers. While many reforms bolstered socio-economic equality, the nationalization of the economy also introduced significant distortions, the effects of which are still in place. Nationalization of the country's most profitable industry, heavy reliance on taxation of that industry for national income, and distribution of funds

> "In this process of the total misuse of state resources, political parties... lost their relation, [their] links with the people. Then the electoral process became publicity stunts..."
>
> *–Ministerial appointee*

borrowed against future production created a primarily mestizo middle class reliant on state action and connections to thrive. The links between this professional/business class and political office solidified as political parties institutionalized the distribution of public sector jobs to their own supporters. This built a class-specific political patronage system into a very centralized Bolivian economy. It also squandered a real opportunity to match revolutionary social reform with effective economic decision-making by populating the ministries with inappropriately educated political supporters. As the state became less and less able to deliver any economic growth other than public sector employment, political legitimacy was increasingly dependent on the ability to provide jobs to party supporters. In split societies, centralization of productive activity within the state reinforces economic and political control of whichever social group is in command; in Bolivia, it reinforced the dominance of the mestizo class.

In addition to cementing the links between a professional class and the political elite, economic decisions made during the revolution set Bolivia on a path of enterprise focused reform policies. Since the revolution, the content of Bolivia's pro-business policy has swung from a belief in the power of state intervention and distribution to more recent economic liberalization. However, political decision-makers continue to consider the business environment their main priority. This is a legitimate priority, but when layered on top of political leaders with overt business interests, historic colonial relationships, and a grey-market job distribution system with racial undertones, this prioritization contributes to popular perception that the state only cares about making itself rich at the expense of the indigenous majority.

At a national level, institutions reinforce cartel politics

At the national level, many observers believe that the relationship between Bolivia's political parties is best described as collusive - that the parties operate as a political cartel. Rooted in the historic tradition defined above, individual political parties have two institutional incentives to participate in the cartel rather than make efforts to compete for greater electoral support. In addition to institutionalized dependence on political appointments to secure political legitimacy, the electoral rules designed to resolve the "difficult equation of [Latin American] presidentialism,"[8] also reinforce a tendency toward political collaboration.

The political appointment of the entire civil service reinforces politicized electoral contests for access to political appointments. Bolivia has no permanent non-partisan civil service. Instead, all administrative government positions are appointed by the political party in control of the relevant level of government. The distribution of bureaucratic positions is therefore a complex, reoccurring issue that re-surfaced constantly in research interviews with a variety of social actors.[9] In sum, parties and citizens both recognize that a party's electoral support is directly linked to its perceived capacity to employ supporters: "you vote for who you think

will bring you a job."[10] Perpetuation of this system may be found in parties' techniques to recruit younger Bolivians in search of upward mobility. Public universities, where education is available to students whose families are not wealthy, are a significant source of new members and often serve as training grounds for eventual political employment.[11] While youth recruitment and inclusion of youth in campaign efforts is not unusual, students bluntly admit that "we need their [the parties'] help to get jobs when we graduate."[12]

The circular relationship between politically distributed employment and the parties' internal financing becomes more obvious in light of the fact that accepting a party job entails forfeiting a portion of one's salary. Students described it as a direct deduction from their salary for employment secured through the party; "but you need the job."[13] In addition to filling critical poverty-related administrative positions with potentially inappropriate political appointees, this system creates an incentive to base electoral contests on the promise to distribute favors instead of demonstration of sound policies or reform agendas.[14] To date, the indigenous population has not been included in the distribution of these jobs, thus excluding them from the nature of Bolivia's political legitimization process.

Electoral structures designed to limit the authority of the president—while neutralizing political gridlock—have encouraged collusive behavior among ideologically diverse parties in congress. Bolivia's electoral system was designed to avoid the extremes of an overly powerful executive branch and of a political stalemate caused by conflict between a popularly elected president and a congress controlled by a minority government. The result is a semipresidentialist/semi-parliamentalist system The president serves a fixed term regardless of congressional support, but typically depends on a majority vote in congress to take office. If no presidential candidate wins a majority of the popular vote, Article 90 of the Bolivian constitution empowers the congress to elect the president from among the best performing candidates.[15] In essence, this system requires a coalition in congress to form in support of a presidential candidate. This is complicated by the political tradition of allocating the right to distribute public sector jobs among all parties in the coalition. Political party leaders from ideologically diverse parties consequently have an incentive to go into congressional coalition together; it ensures they have a share of political appointments to distribute regardless of their own presidential candidate's electoral performance. The result is a closed door, post-election negotiation among political leaders in which support for the office of the presidency is traded for guaranteed ministerial positions and a negotiated percentage of public sector positions to appoint. "They meet to divide the spoils of the election," explained one party member.[16]

Because political parties are so dependent on the distribution of jobs for support from their constituents, the decision making process could produce a scenario in which parties find it preferable to negotiate a support agreement with the largest party, rather than run

a competitive campaign. Just as an industrial cartel is typically only feasible if companies have exclusive ownership of key raw materials or production measures, the parties' control of elected office has, in part, been tenable because of their exclusive right to distribute profitable employment. This exclusivity could be weakened by establishing a non-partisan civil service, or by increasing employment opportunities in the private sector which carry similar salaries and social status.

As non-traditional political actors become more vocal, the interests of parties appear more and more similar. Discussed in more detail elsewhere in this report as an element of political polarization, the parties appear to have more similar political objectives as the demands of non-traditional actors grow louder. Vocal public sentiment that "the ruling class [regardless of party] doesn't care about Bolivians,"[17] lumps all parties together and may even foster deeper collaboration among parties.

The illusion of non-partisanship forces political negotiation into the back room
For officials elected through the political parties, the events of October 2003 transformed public frustration with political parties into a tangible force. Since the resignation of President Sanchez de Lozada, significant numbers of elected and appointed officials have responded to public demonstrations of anti-party sentiment by renouncing their party membership. In fact, a substantial majority of the municipal and local office holders interviewed by NDI insisted they were no longer party members. Some went as far as to say they had come to office by political means, but had renounced party affiliation upon assuming office; "I am here because of a political party (on a municipal board), but once we are here, the party side disappears."[18] In several cases, those same interviewees were identified by other sources as being affiliated with one of the parties, leaving an aroma of opportunism around this broad renunciation of traditional politics. Within the legislature, this same sentiment is evident in the creation of the "Transversals" movement.[19] Even university activists noted that while they run for student union offices as part of student fronts financed directly by the parties, "we don't advertise our affiliations because most people reject parties... we only say after we win."[20] A representative of the church agreed, "there is a certain political apathy [among party elite] here, even the church keeps a low profile."[21]

"To be [known as] an activist for a political party was a disadvantage..."
–Elected Municipal Official, Oruro

Despite individual disavowals of party affiliation, political party networks and loyalties remain firm; they have simply become less visible. "Parties are discredited, but [they] are still there."[22] Political actors' public withdrawal from clearly identified political groups is problematic because it forces the overt political negotiation that is supposed to happen in a legislature or municipal council into unidentifiable alternative spaces. People are concerned that political party interests will be channeled through social actors that have previously been considered trustworthy, explaining, "we have seen parties try to take over civil society and push their agendas there."[23] Furthermore, the personalization of politi-

cal parties means that appointment and access to state contracts still requires personal connection to a circle of elites. For example, one deputy minister explained that, while the ministry was no longer staffed with political appointees, most of the senior staff had gone to the same university and were a close circle of college friends.[24] The impetus to renounce partisan politics is rooted in popular dissatisfaction with political parties, but may be further reinforced by NGO and international community perceptions that non-partisan or multi-partisan actions are always preferable to party-led initiatives. This idea is covered in more detail in the section on the impact of Bolivia's political system on policy formulation, but it is worth noting here.

"Every organization has links to political parties"

–Oversight Committee Member, Santa Cruz

What is not clear is how long this public renunciation of political parties is likely to continue. Some observers argue that party membership will remain a political liability as long as Carlos Mesa's non-partisan government retains public credibility. Others insisted that the parties are just waiting for the municipal elections campaign period to re-emerge. Then, "people will have to accept the parties again."[25] Observers debate the pros and cons of a non-partisan government with some arguing that "only Mesa has any credibility [due to his non-partisan status]." Others claim that Mesa's capacity to run the country is severely handicapped because "he has no party backing him." NDI interviews indicate that party leadership's response to the sudden loss of publicly affiliated members has been to lay low and wait. "We have to wait and see what happens with civic committees and civil society in general [before we can do anything about this crisis],"[26] noted one party leader. Other party representatives expressed hope that the July referendum and/or the constituent assembly would provide sufficient reforms to allow parties to re-emerge shortly.

Parties' response to emerging political actors could be greater collusion
In light of tightly connected circles of political and financial power in Bolivia, any expansion of the political system to be more inclusive is also, by default, an expansion of the number of actors among whom the benefits of political office must be divided. This fact has direct bearing on parties' responses to alternative actors who achieve electoral success. While the emergence of new electoral forces could foster a more representative political class, political actors may believe that it is preferable to preserve the status quo by strengthening collaboration or by co-opting the new groups.

MAS provides an alternative for frustrated voters, and has placed indigenous identity at the center of its political characteristics.[27] With elected members of the legislature, both parties provide visible, official inlets for a portion of the population that previously felt it had no representation in state political processes. MAS's recent visibility as an actor on hydrocarbon reform could be seen as further evidence that a voice for the indigenous population is now firmly part of the official political process.[28] Furthermore, conversations with officials elected under MAS's banner almost universally demonstrate more genuine interaction with

> **DECENTRALIZATION, CAMPAIGN FINANCE**
> **AND RECENT ELECTORAL REFORM**
>
> NDI interviews yielded mixed opinions about the impact of Bolivia's decision to allow non-party actors to support municipal candidates in the December 2004 elections. Some argued "it will change the face of politics," because people can vote for candidates chosen by their communities (as opposed to candidate appointment by the traditional party leaders). Others disagreed, pointing out that only the traditional parties would have financing for their campaigns. Still others voiced concern that non-party officials would be hamstrung; "I would run, but what [do you do] if you get to office if you don't have a party to back you?" asked one Oversight Committee member.
>
> Candidate registration to date seems to suggest that the skeptics were right—by mid August, less than 50% of groups that expressed interest in fielding a candidate had actually filed the papers to formally do so. Some groups have said publicly that they will have difficulty supporting a candidate due to lack of funding. Public campaign funding is distributed among the formal parties based on the percentage of the vote they received in the 2002 legislative elections.
>
> Despite financial constraints (common to emerging political actors in most countries), decentralization shifts selection of elected officials into local processes, and therefore has some potential to emphasize the impact of emerging political actors at local levels. Not only would the election of new actors divert patronage positions away from traditional parties, but new actors able to make poverty-alleviating reforms would likely receive sustained support. At the same time, independent candidates are likely to need basic administrative training the most. In this light, technical assistance programs designed to increase management capacity (rather than specific technical capacities) for newly elected municipal officials could foster competitive political behavior in the long-run. However, when designing such programs, it will be important to bear in mind that traditional parties still control prefectures and national office and could use those offices to prevent the occurrence of certain types of municipal reform from under non-traditional officials. While NDI has no specific reason to believe that this is the intended course of action, it would be unrealistic to exclude the possibility.

"the base" than any of the other parties. "We are constantly telling our bases what is going on inside the parliament, so they know [why we are not moving certain reforms very quickly]."[29] Many believe this will also make them tremendously successful in the December municipal elections.

At first glance, one would assume that MAS's image as responsive to indigenous concerns and community poverty priorities would gradually force the parties to compete for office on these grounds as well. However, political cartels have non-competitive response options as well. If the parties believe that intensifying their own cooperation will preserve their political dominance, it is reasonable to assume that they will attempt to do this for some time.[30] Interviews seem to suggest that politicians believe that, even if non-traditional parties are successful in the next round of elections, they will not be able to govern well enough to remain in office for long. "Now is the time for political parties to wait," commented a departmental party leader as he explained that his goal was to ensure there was just one party member on each municipal council, "... to be the voice of reason. That way, when everyone is disillusioned with the new groups, everyone will look to us again."[31] This may be a typical opposition strategy for a single party, but is usually not pursued by a broad coalition.

Alternatively, if parties believe that electoral support for new groups is a permanent fixture, they may find it more politically profitable to simply expand the cartel. As long as the institutions allow political parties to divide political benefits among their own small numbers by splitting the appointments of civil service positions, coopting MAS remains a possibility. Just as an industrial cartel may decide to expand when a previously excluded firm threatens their market dominance by capturing sales, parties may believe that co-opting MAS is the best way to retain their political dominance.[32] Many of those interviewed by NDI believed that this was already happening, asserting that "Morales is no different than the rest of them now," accepting corrupt practices and running his party like a personal political machine.[33] Public approval ratings for Morales have ebbed since the presidential elections, perhaps indicating popular sentiment that MAS has stopped representing its indigenous base.[34] However, MAS is anticipated to earn at least as much electoral support in December municipal elections as the party did in 2002 presidential elections, if not more. In the long run, parties are likely to view reform as necessary only if the new groups or parties are not only successful at draining away electoral support, but also refuse to participate in the political cartel; or the number of new electoral actors is so large that parties believe they can gain the most political benefit by soliciting voter support on the basis of responsiveness to voters needs.[35] If actors outside the political cartel have electoral support and cannot be co-opted, parties will have to respond to the threat of competition.

Democracy's Grey Markets: Parallel Institutions, Real and Perceived

Popular frustrations with representative democracy—and demands for more participatory democracy—have been reinforced by the strength of segregated, informal structures governing political and economic life. Parallel informal structures of the elite minority and the poor majority exist throughout Bolivian society. This includes the economy, the education systems, systems for addressing community infrastructure needs, and methods of accessing government office or civil society. The perpetuation of these systems serves as an invisible influence on the capacity of Bolivia's political leadership to pursue genuine pro-poor reform. Examples include the following:

Fee systems that segregate civic associations. While it is not unusual for social organizations to require membership fees, doing so can reinforce the appearance of citizen groups segregated by wealth. Where wealth has been concentrated within a specific ethnic group, membership fees can reinforce ethnic resentment. One particularly well funded local councilors' association explained the superiority of their group by noting "there are other organizations like this that are supported by the government [that are free] but this one requires a fee to show your commitment."[36] To a local councilor with a professional income, dues are a reasonable way to eliminate free-riders in the association. To a local councillor from the poorer portions of the community, they are further evidence of exclusion.[37]

Separate educational institutions. Outside of programs designed to foster social reconciliation, neither primary and secondary schools, nor institutions of higher education offer opportunities for joint socialization. "When I think about it, we never interacted with indigenous kids at school," explained the youngest member of a wealthy Santa Cruz family.[38] Students at public universities confirmed that they never interacted with private universities, even through student union activities. One well known leader asserted that "we indigenous people really ought to just set up our own school system so that we can get a quality education too."[39]

"Participatory" meetings that require an invitation. Civic institutions that are publicly accessible on paper have unofficial requirements to participate. Civic committees, the departmental-level oversight bodies made up of civic representatives, also have a constituent assembly, which has a broader membership of representatives from registered civic organizations in the department (business associations, arts and humanities, charities, etc). Assembly meetings are held periodically, or in certain instances, to discuss pending issues upon which the civic committee feels it should act. While some of these meetings are open to the public, it is the smaller membership-based meetings in which the most critical decisions are made. While this is not problematic for a private organization, civic committees are described as deriving their authority from broad civic participation. This reinforces the idea that civic authority is limited to registered, formal, traditional actors who can afford membership fees. In light of the power of civic committees in many departments, it becomes clearer why many Bolivians assert that the "real" mechanisms of power are only available to those with business interests.

> "Someone told me to get resources for the rural areas. I [can] use the union to do that, but I don't know how to talk to the government..."
> —*Community leader, Potosí*

The evolutionary roots of these parallel structures are numerous, with inter-racial relationships established during the colonial administration of Bolivia one of the earliest among them. Though the racism of the past is no longer officially institutionalized, resentment runs deep, with one indigenous community leader telling NDI "we are sick of working for them... but we are still getting over being domesticated."[40] State administrative systems established after the Revolution enabled parallel structures to continue, in part by treating the CSUTCB and COB as the primary formal means of enabling indigenous groups to engage in official negotiations or processes. The creation of locally elected municipal government positions is slowly altering that separation of engagement mechanisms, but the legacy remains.[41] Furthermore, both wealthier and poorer sides of Bolivian society perpetuate the separation through the use of class-specific informal networks.

Necessity is the mother of institution: many communities rely on internal solutions[42]

Much of Bolivia's poorer majority has become accustomed to relying on alternative or informal structures to fill social needs. Many of these institutions evolved to compensate

for generations of inadequate state social provision, and are now quite effective at implementing solutions with limited resources. In many cases, however, these services could be provided more efficiently on a larger scale. For example, neighborhood-based water or electricity communes can compensate for a failure of government provision, even though efficiencies of scale and consistency of delivery cannot be realized in small neighborhoods. At the same time, these partial solutions make it difficult for appropriate formal structures to eventually take on their responsibilities. Not only is the "temporary" measure more familiar to the public, but community pride regarding their own solution reinforces skepticism about the government's or a private firm's intention or capacity to provide the service to their previously excluded neighborhood.

As one example of a prevalent situation, a Santa Cruz 'satellite city' of primarily indigenous residents described their water cooperative with great pride. With a small seed grant and some strategic community organizing assistance from "Fr. Antonio and a couple of nuns" the community started with a single bore hole and pump. They sold water access via a system of pipes connected directly to homes, and used the money to expand the well and pipe system. Over time, the cooperative covered most housing blocks in the city. The price charged for water was established "based on what people can pay;" though the system generated insufficient revenue to cover regular maintenance on the pumps or electricity charges. The Santa Cruz city committee for public works, which previously only served the downtown area, is now attempting to establish water services in this satellite city by privatizing it, but the cooperative sees its efforts as an attempt to take the water away or to demand higher prices. "We can not charge more because people don't have more... [but] the government is saying they will take us over," explained the members, "the politicians come and they take over and they just take it." Whether their fears are reinforced by a lack of information or a real inability to pay the liberalized water price, the cooperative expressed a concern rooted in generations of having to provide for themselves. In their estimation, if they stop piping their own water, how can they feel secure that water will arrive? "The government never did anything for us, we did this—they can't come now and tell us what to do. We won't raise prices, they can't take us over."[43]

Within these self-created solutions, community organizing traditions among the indigenous populations are strong and have historically provided leadership for local-level works. Based in part on traditional cultural leadership practices, and in part on union structures, leadership roles rotate annually such that everyone serves their community in turn; individuals cannot decline this responsibility when it is their turn. While there are no re-election concerns, there is a genuine sense of accountability to the community that reinforces the tensions described above.

Personalization of political parties strengthens informal,
internal decision structures

While the wealthier elite tend to control Bolivia's formal political structures, they also make effective use of informal networks within those structures, which further enforces segregation. While political use of social networks are certainly not uncommon, personalization of political parties in Bolivia strengthens informal internal decision-making structures based on personal relationships and family connections. The net impact of this highly personalized decision making is that individual members who cannot influence party leadership decisions through previously established relationships have been essentially excluded from legislative processes. Evidence of informal methods of moving decisions through political parties—or moving the parties themselves—exists in legislative practices, and within the parties' internal communication and decision-making systems.

In conversations with NDI, several members and former members of congress explained that the mechanisms for normal debate are typically circumvented in favor of decisions by leaders. While the lack of legislative committee capacity and insufficient staffing certainly reinforce this tendency, members explained that leadership decisions were announced in caucus meetings with no prior debate or discussion.[44] Extraordinary party discipline can be expected in strong parliamentary systems, but Bolivia follows a congressional model in which a substantial number of members are directly elected. Particularly as the single-member-district representatives become accustomed to their diverse mandates, one would expect party caucus debates to require more negotiation. However, NDI research indicates that top-down decision making and vote instruction still dominate. One MAS deputy started to explain to NDI when members were supposed to debate issues or policies, but concluded by noting "well, I don't really know the parliamentary process. But I do know the constitution and I know how to be a leader to my people."[45] The need for some personal connection to leadership figures is also present in local government positions to some degree. "I tell you, it was not because of my party," explained the vice-president of one municipal council in Oruro. "I had previously managed three businesses in Oruro, and that facilitated me to be able to manage the municipal government."[46]

> "The boss hasn't spoken and no one else will say anything until he does"
>
> *–Former Member of Congress*

The parties' own internal mechanisms are the clearest indicators of personalized politics. "Parties are built on the father-son accession process," not ideology, explained one former congresswoman.[47] At a superficial level, empirical evidence includes one observer's exclamation "the letters for NFR come from MaNFRed Reys Villa's name," and the tendency of many interviewees to refer to each of the parties as belonging to the party leader (Tuto's party, ADN; Goni's party, MNR; Morales's party, MAS).[48] Nearly everyone reports that policy platforms are written by technical experts in the party, with no real input from the membership. Once policy positions are drafted, inter-party negotiation appears to take place directly between the leadership. Top-down leadership makes an appearance in

the selection of candidates too, often producing candidate lists peppered with individuals who have never lived in the constituency. "If parties had more internal democracy, we would have more authentic leaders," noted one church representative.[49] A member of one Santa Cruz Oversight Committee went a step further, pointing out, "Parties need to have internal elections where the membership participates instead of [the current] sham elections so that people can see candidates."[50]

To some extent, these separate mechanisms for social, political, and economic engagement are unintentionally reinforced through the creation of new institutions. The legal creation of Oversight Committees (OC) was positive because it established a formal mechanism by which local indigenous communities were guaranteed a voice in the oversight of local government, the branch that affects them most. Arming these OCs with the authority to block local budget disbursements further ensured that executive municipal officials would have to listen to them. However, the law also placed the OCs just opposite the elected municipal council, a body more likely to be populated with political/business interests, as discussed previously.[51] This not only poses coordination challenges, but further reinforces the idea of separate governing mechanisms for the separate pieces of society.

Logistically, the problem emerges when municipal councils and OCs do not agree on the reported budget expenditure. Review and approval from both bodies is required by the ministry of economy before disbursing the next tranche of decentralization funds to the municipality. Though a logical requirement for equitable monitoring purposes, the impact of requiring approval from two separate oversight bodies, rather than a single integrated one, is slower, at times immobilized reporting. Recent electoral reforms that allow candidates to stand for municipal office without political party support in the December 2004 elections may make municipal councils a more integrated body. However, preliminary research seems to indicate that very few members of OCs would consider running for office: "We are trying to show that the committee is not corrupt," noted one member as a way of explaining why they would not run.[52] Another OC president commented, "I would run, but I don't know what the law means....If [the] law was clear then I would try to run."[53]

Internal party challenges are magnified by regional tensions and resentment
Layered on top of tremendously varied departmental needs is the question of who in Bolivia benefits most from a centralized state. Institutionally, Bolivia is dispersing more financial and administrative power to local authorities, but the legacy of centralization continues to influence incentive structures in national political parties. At a time when the economic issues of each department varied, but social development issues were not considered as heavily, parties' policies could be similar across departments.[54] In the context of geographically specific needs and preferences today however, national parties report that they are still relying on internal mechanisms designed to communicate decisions from the top

down rather than serve as a mechanism to mediate regional interests. As the strength and volume of this diversity grows, parties with a national reach will be increasingly reliant on the force of individual leaders' personalities to maintain party discipline. The force of these individual leaders has, in some ways, been institutionalized through ongoing distribution of local public sector jobs, the central appointment of prefectures to govern at a departmental level, and central party appointment of candidates through the party list.

The diversity of departmental needs is strongly influenced by natural resource allocations (especially the southern monopoly of gas deposits), agricultural productivity, and popular cultural sentiments. However, some of the largest debates between departments are also rooted in the effects of previous state distribution policies. This is perhaps most evident in Santa Cruz's belief that the department would be better off without the rest of the country. To many poorer western and highland Bolivians, the secession issue is further evidence that Bolivia's natural resource wealth always ultimately leaves the country.[55] In the years following the 1952 revolution, Santa Cruz's economic and industrial development was financed primarily through taxation of COMIBOL (Corporación Minera de Bolivia), Bolivia's mining industry.[56] In the long run, the breadth and volume of levied taxes made the mines economically unfeasible earlier than they might have otherwise been. Meanwhile, capital investment in the southeastern part of the country took root as agricultural production picked up. In the absence of a capable departmental government, the powerful Santa Cruz civic committee ensured that business interests remained dominant. Now that, in the words of the Bolivian contestant in the Miss Universe pageant, Santa Cruz residents are more generally "rich, tall, white, and know English," some believe that they should break away from the poorer, more socially contentious, rest of the country to preserve the region's quality of life.

Public Cynicism about Reform Threatens the Legitimacy of New Pro-poor Strategies

Even if policies designed to address structural inequality in Bolivia are able to marshal the required political will to proceed, public cynicism could undermine popular support (and the policies' legitimacy). Genuine Bolivian reformers face a population weary of reform promises that have little impact, a population that may reject political initiatives out of hand simply because they "have heard this one before." This distrust is further reinforced by the polarization of political forces representing opposite ends of Bolivia's income spectrum.

Reform and revolution have been consistent in the rhetoric of the state

The rhetoric of reform is not new to Bolivia. While nearly all changes have been described as a way of improving the lives of every Bolivian, and some have increased the overall performance of the Bolivian economy, they have often failed to improve the lives of poorer Bolivians. The public sees many prior 'reforms' as incremental adjustments of formal rules

> **CANDIDATE LIST OVERSTATES DEPTH OF PARTY REFORM**
> Multiple sources indicate that traditional parties in Bolivia are very good at maintaining the image of inclusiveness without actually incorporating nontraditional members. Municipal officials that were indigenous and/or female regularly reported that they had been invited to stand for office by parties who needed "to meet the 30% quota [of female candidates]" or to reach out to indigenous voters. One indigenous official said bluntly "they need us because...the communities believe in us." In many cases however, they were asked to run as the 'sub-deputy' (who stands in if the primary deputy is unable to attend meetings or serve). One woman reported that although her female colleagues were invited to run as the primary deputy, once elected, the party told them to step aside so that the (male) sub-deputies could serve. Others confirmed that party leaders easily marginalized new officials who demonstrated too much propensity for reform or transparency privately, by holding decision meetings without them, or by publicly humiliating them in the media. "We are [just] an object they need to reach power," lamented one councilor.

with little to no impact on underlying systems that concentrate wealth in the hands of a few. Whether this is intentional—or even true—Bolivia's continuing wealth gap appears to provide tangible support for popular conspiracy theories.

Bolivia's self identification with revolution has been documented and analyzed in many places, and needs no further review here.[57] Layered on top of this national revolutionary project, however, is a series of highly discussed, highly public reform initiatives.[58] Interviewees cited the social initiatives and centralization that characterized the national revolution; a rapid shift towards neo-liberal economics in the 1980s; and recent legal reform to decentralize municipal government and strengthen equitable participation. When asked about what reforms have been successful however, citizens just observe that "everything has failed," because it does not affect their lives sufficiently.[59] As a result, the general public has come to regard government announcements about pending reform through extraordinarily cynical eyes. In August 2004 interviews, elected municipal officials expressed almost universal frustration that reforms promised through the National Dialogue had never materialized. Many felt that the allocation of HIPC funds through the Dialogue was an excellent idea—and were satisfied with the outcomes—but were bitter that the funds never arrived. Several cited the percentage they had actually received (ranging from 90% down to 30%), with one municipality complaining, "we had to show the people in our municipality the bank note to prove that we [in the municipal government] weren't the ones who were lying."[60] In sum, this leads to a general sense that serious, deep reform is necessary, and a concurrent skepticism that such reform can ever be achieved.

Polarization between traditional and emerging political centers reinforces cynicism
Public cynicism regarding a political driver of pro-poor change is reinforced by increasing polarization between traditional political actors and a previously ignored majority. Social conflict is never as simple as two clearly defined, homogenous sides. However, NDI's interviews indicated that conflict between the relatively wealthy elite and the relatively

poor indigenous majority is sufficiently consolidated to produce a pervasive use of "us" and "them" language from nearly all aspects of political life (traditional and emerging). This overt "us-them" imagery goes straight to the core of how polarization de-legitimizes politically-driven reform in Bolivia.

Based on a number of interviews, political elites and the leaders of the indigenous movements blame each other for Bolivia's present circumstance. Political leaders insist that the next set of reforms could truly turn the country around if only the public would cooperate. In their eyes, demands are often unreasonable; collective action is wealth-destroying; the black market undermines their efforts to generate economic growth; and the ensuing political instability has decimated Bolivia's ability to attract productive foreign investment. Conversely, in light of racism, historic exploitation of Bolivia's resources and years of "neo-liberal economics [that] needs a human face," indigenous leaders blame parties for allowing the current, exclusive system to remain in place. In their eyes, politicians are to blame because they have squandered resources and failed to deliver the reforms they promised. Because parties have allowed the indigenous majority to remain the victims of history, indigenous groups see no reason to engage parties on their own terms; more drastic action is required. The result of this mutual blame is that, in the words of one indigenous former member of congress, "there is absolutely no dialogue between the new movements and the ruling class... and there can be no helpful laws until they are made together."[61]

This polarization is partly self-perpetuating through a conflict cycle during which insufficient reform by the government is met with widespread protest, critical rhetoric, and more radical demands from protest leaders. Protesters use tactics such as shutting down La Paz, which invariably leads political party actors to fear the protesters but respect them less for failing to understand what is sustainable. For example, numerous political party officials noted that some groups were demanding full nationalization of the gas industry. They pointed out that a country that invalidates its international business contracts cannot hope to attract other foreign direct investment – a crucial part of large-scale poverty reduction.[62] Conscious of vocal social demands and their impact on political and economic stability, however, governing parties then promote reforms that appear to increase inclusiveness, but do not 'ruin' the future of the state by disrupting pro-business interests. When these reforms have little notable effect, the public concludes the entire system is a problem and demands even *more* extreme change. Politicians and political scientists both acknowledged that the effectiveness of street marches has made them the default mechanism for demanding attention or change. "I don't blame them," admitted a junior party figure, "that is the only way they have."[63]

> "If parties participate [in a dialogue], then others won't"
>
> *–Church representative, Santa Cruz*

Unmanaged Public Expectation and Education Gaps Reinforce Cynicism

Cynical public responses to politically-driven reform are further reinforced by unrealistic

> "We [indigenous people] are carrying a 50-year long lack of education."
>
> *–Small business owner, El Alto*

expectations, which are driven in part by tremendous educational inequalities. As the situation stands now, Bolivia is certainly capable of managing its economic reform process in a poverty-sensitive manner. However, expectations about what the state 'ought' to be able to do are sufficiently inflated to leave citizens disappointed regardless of the quality of reform. Faced with consistent promises of reform and a static quality of life in their communities, poorer citizens have concluded that politics are to blame for all ills: "once they get to power, they forget about us."[64] Even small business owners in El Alto felt that politicians had done nothing for them, even though their registered export businesses not only provide employment, but they personally advocated stability over strikes. "We are the people worth working with, but the politicians pay no mind to us—they never say anything about us." Further investigation however, revealed that they wanted the government to establish price floors for domestic furniture sales "a chair sells here for $30 here. Abroad, the seller gets $100...how can the government allow that?!"[65] One domestic NGO leader who facilitates public budgeting sessions for mayors of indigenous communities explained that in most places, neither the people nor the mayor understood what their role was supposed to be. It is a relief that the indigenous communities are demanding their rights, she said, but "the main thing [now] is to give all the information about how the government should work with them so that people know what their rights are."[66]

To some degree, unrealistic expectations about the capacity of the government to control economic conditions are buttressed by generations of under-education among the poorer segments of society. Political management of public reform expectations is difficult enough in countries with generations of mandatory education through a secondary level. Explaining the content and pace of economic reforms to a skeptical community with low to moderate Spanish literacy levels presents a wholly separate challenge.[67] On top of an under-educated public, the individuals elected to serve in municipal offices also expressed real need for greater training in basic management skills.

SECTION V

The Impact of the Political System on Reform Policy and Process

At a national level, politicians and parties in Bolivia speak easily of technical reform priorities and willingly explain the economic rationale behind proposed reforms.[68] It is easily apparent that Bolivia's reform process has access to highly educated policy and process experts for various poverty reduction challenges. The question then, is to what extent the political leaders are using party coordination mechanisms to pursue policies that are politically viable, as well as technically sound. This section, therefore, details the impact of Bolivia's political system on elected officials' ability to develop policies that are responsive to the expressed needs of the electorate and to implement those policies in a sustainable manner.

The Absence of Key Incentives Inhibits Effective Policy Formulation

NDI research generated consistent evidence that Bolivian political parties do not pursue coordination of policy development through party mechanisms. It is important to note here that individual party leaders' use of party networks to pursue specific policy outcomes is very different from the internal use of party mechanisms to develop policy positions or proposals.[69] Party coordination of policy formulation is a way for individual parties to synthesize information about citizen needs in multiple locations and to propose the response that they believe resonates with as many voters as possible. Parties undertake this policy coordination role in an effort to maximize the votes they receive in the next election. However, several key observable characteristics of the Bolivian political context suggest that this process does not occur. Evidence that political parties are not driving policy formulation includes:

Top-down communication within the party does not convey the actual needs of a geographically diverse electorate to the party center or to the technical policy experts. The personalized nature of internal party politics suggests that communication runs primarily from the center to the municipal levels, and research confirms this. "The parties sometimes want to monopolize everything, they want to direct from above, to make decisions on a municipality, on the administration…," noted one mayor.[70] "Platforms are written by technical experts with limited opportunities for input from local party membership," and, as a result, there is no self-sustaining information-gathering mechanism on the poverty-related needs of various municipalities.[71]

Lack of partisan think tanks. Parties that contest elections by generating public support for their policy prescriptions often establish (or build relationships with) think tanks whose research agenda is influenced by the party's ideological approach. Partisan think tanks are a necessary part of healthy policy formulation because they provide issue assessments, response recommendations, and impact analysis of various policies. In Bolivia, however,

consistent party links to such organizations are minimal. "In most cases, party leadership draft them [the platforms], but you never hear about them."[72] Party leaders interviewed by NDI confirmed that they used technical drafters for their policy positions, but made no mention of work with think tanks, or other independent organizations.

Parties have not demonstrated strategic approaches to the National Dialogues or other national forums on poverty policies and priorities. Although parties were originally somewhat purposely excluded from the National Dialogue to maintain the 'participatory' qualities of the dialogue, their ultimate involvement still remained superficial and non-strategic.[73] In many ways the public dialogue surrounding a PRSP process provides a national platform from which parties are able to apply policy positions publicly and mobilize media coverage to differentiate themselves from their political counterparts.[74] Furthermore, in Bolivia, where unprecedented municipal dialogues about the distribution of HIPC funds allowed local politicians to contribute to national policy as well, internal party policy coordination mechanisms would have been useful for recently elected or appointed officials. However, municipal officials interviewed by NDI almost universally had no idea whether their party held any position on the distribution of HIPC funds, on the allocation mechanism, or on the question of budget limits. "Party vision?... No, I don't know."[75]

Disincentives for politically-driven policy formulation are built into the political system

The fact that Bolivia's parties are not playing a constructive role in the formulation and testing of alternative policies has great bearing on the potential for politically driven pro-poor change in Bolivia. In essence, the political system has created substantial disincentives for political parties to engage in the development of experimental poverty-reducing policies. These include the following:

Domestic demand for party-led policy proposals is insufficient to justify expenditure of party resources and political capital. Parties that do not believe that their ability to formulate sound policy will affect their electoral performance have little incentive to expend party resources on the development of responsive, effective policies. In Bolivia, parties appear to base their assessment of the political benefit of sound policy formulation capacity on three previously detailed factors: historic precedents for considering business interests over poverty reduction; political legitimacy rooted in institutionalized distribution of public sector employment; and political structures designed to avoid legislative-executive deadlock by fostering legislative coalitions to select the president. Together, these factors create a domestic environment in which parties are rational to believe that their electoral success is divorced from their policy formulation capacity. This is reinforced by an apparent belief that as long as reforms are rooted in sound technical models, it is not necessary to keep the population informed or involved in the reform process.[76] This sentiment is likely rooted

> "...people grew used to the idea that parties have no policy platforms."
>
> *–Government minister*

in precedents set by Bolivia's multiple militarist regimes and historic declaration of a state of siege in response to popular protests. Finally, the events of 2003 demonstrated a tangible risk to politicians who propose controversial reform measures. In the eyes of observing politicians, the protests that forced an elected government to leave office were triggered by an unpopular economic policy proposal. This additional risk makes the cost of producing party policy formulation even higher, creating further disincentive.

Electoral law creates incentive for uneven implementation of non-election period activities. Based on the Electoral Law, parties are to receive public funding for training in nonelectoral periods, but a much larger amount of funding in election periods is based on the number of votes won by the party in the most recent election. This system clearly creates the incentive for parties to focus their efforts on earning votes in election periods, rather than on maintaining their base between election cycles.

The actions of the international community discourage opportunities for political competition and provide further incentive for party leaders to focus on public sector job distribution. The international development community has been active in Bolivia for many years, and its actions have inevitably helped to shape the nature of the political system. There are two main effects on the policy formulation process, one associated with multilateral budget and financial assistance, and one associated with providers of various types of technical assistance.

Because much of the country's economic or poverty agenda is financed by and negotiated with the international community, Bolivians often view programs to address poverty, macroeconomic or coca-related issues as internationally mandated.[77] Consequently, there are few poverty-related challenges for which the response is determined through competitive policy proposals by the parties; the local political system is perceived as able to make very few real fiscal decisions. Whether this is true or not, the parties' own perception that they would not be able to implement their own policies—even if in control of the national government—provides a serious disincentive for parties to invest the time and resources necessary to generate and formulate sound poverty reduction policies. Parties anticipate a need to negotiate all strategic plans with external actors, further diminishing their incentive to develop issue specific priorities.[78]

> "Parties gradually forgot about a plan of making citizens better off."
>
> *–Senior party member*

In an effort to avoid their programs being seen as partisan, alternative technical assistance providers in Bolivia have tended to focus on building non-partisan mechanisms to address poverty. As discussed, this meshes well with certain cultural preferences for collective action, and civic actors presently enjoy greater public trust than political parties. However, in conjunction with the limiting effects of negotiated national strategies, this emphasis also reinforces parties' tendencies to focus on what they perceive as their comparative advantage: distribution of public sector employment. Party leaders that NDI spoke with describe

employment as a fundamental element of poverty reduction over which they have some control. They therefore view job distribution among their supporters as an available means to reduce poverty. As partisan debate is excluded from the process of developing national poverty reduction strategies or initiatives, parties may focus more and more heavily on the political appointment mechanisms available to them.

The combination of electoral structure and geographic factors is a disincentive for addressing the deepest rural poverty. Despite significant agricultural capacity, Bolivia's population is primarily concentrated in major urban centers of La Paz, El Alto, Cochabamba, and Santa Cruz. Consequently, parties are most likely to derive voter benefit from demonstrating capacity to develop programs that address urban poverty and infrastructure. This is particularly true for municipal or national legislative candidates on the party list, who must generate as much support as possible for the party to maintain its office. As previously discussed, it is not yet clear what impact there will be from the recent electoral reform to eliminate the required party-support for municipal candidates.

Lack of Party Coordination Mechanisms Affects Policy Implementation

While Bolivia's political system creates strong disincentives for party-driven policy formulation, its impact on the parties' ability to coordinate implementation of reform policies when they are in office is even more striking. Political parties that do not believe they are competing for electoral votes on the basis of delivering services or improving citizens' quality of life feel even less incentive to pursue difficult reform policies than they do to formulate them. "A political party should have a vision...but the only objective for them was to be present in the municipalities. It doesn't matter [to the party] if we reduce poverty or not," noted one newer municipal official bitterly.[79] Because public cynicism regarding politically driven reform processes magnifies the importance of effective implementation, the obstacles to politically coordinated implementation must be examined closely.

Capacity effects

A political party's ability to drive reform of any type is in part based on internal communication, management, information sharing, and strategic use of its elected officials and staff. In addition to a lack of visible incentives for Bolivia's political parties to develop or strengthen their use of these internal systems for specific policies, there are institutionalized obstacles to party-driven policy implementation. The effect is that the incentive problem has become further reinforced by genuine capacity constraints.

At a national level, this is characterized by ministerial inability to rely on party interests or incentives to drive implementation of specific initiatives or policies. Coalition politics, and the negotiation of party support for a single presidential candidate in exchange for specific ministerial appointments or other political positions, creates a tremendous challenge to

"Parties are just electoral machinery..."

—Ministerial Appointee

coherent cabinet strategy. In an effort to link the parties more closely and require coopera-tion among them, the entire chain of command within each ministry alternates among the coalition members.[80] This not only creates challenges for the pursuit of party platforms, but also builds gridlock into the ministry itself.[81] Because politics are so personalized, ministry staff has little personal incentive to support the leadership of a different party's minister. Layered on top of a fully appointed civil service, this alternation of appointments seriously handicaps policy implementation by eliminating even partisan consistency as a coordination mechanism. Furthermore, it reinforces the informal nature of party advance-ment; meritocratic advancement is nearly impossible when one's immediate superiors are almost always from another party.

At a municipal level, party coordination is needed to facilitate the policy implementation among municipalities facing similar situations, to orient newly elected officials on the re-sponsibilities and expectations of their positions, to connect municipal officials to national networks within the central government, and to offer technical or policy guidance for national issues.[82] In Bolivia, the lack of incentives for parties to build municipal officials into national coordination mechanisms presents a second obstacle for party-driven policy implementation. Despite their election as members of a party list, municipal officials at local levels expressed almost universal disconnection from the main party structures. A shocking majority of the officials interviewed were unable to convey their party's posi-tion on a specific policy issue. Party platforms on national issues such as the constituent assembly, the hydrocarbon referendum, or Bolivia's use of HIPC funds were generally summarized, "look, I don't have any idea what the party vision is...."[83]

> "As a party, we have not discussed this problem. As a municipality, we are facing this problem."
>
> *—Municipal councilor, Beni*

Further exacerbating the lack of party guidance on national issues, a multitude of elect-ed officials never receive instructions or orientation on the duties, rights, responsibilities and procedures of their new positions. Individual officials who have served for the last few years explain that, although there are a tremendous number of capacity building re-sources for specific technical issues, many councilors and mayors are still unsure about procedures for basic responsibilities, and political or project management. In the words of one observer, in addition to working with a 'technical' staff of political appointees, many "elected leaders don't have any capacity in how to do basic things."[84] One first-time indig-enous municipal councilwoman from Potosí admitted that because no one ever explained her job to her, she was "afraid to go and talk to the government [in the municipality]."[85]

Emerging parties are not yet an incentive to improve implementation efforts
The parties do not perceive that recently consolidated indigenous movements offer a viable political alternative or demonstrate capacity to govern well. Indigenous social movements have gained public support - and been elected to office in some cases - by mobilizing the frustration of poorer, indigenous citizens. In the eyes of parties, however, the success

of these movements in criticizing government does not represent a capacity to propose realistic alternatives or to govern effectively. Whether this assumption is correct or not, it does prevent parties from perceiving the need to prove their own capacity to govern effectively. This could change over time if officials elected from non-party backgrounds are able to build track records of reform and service provision—and to use that track record to sustain and increase popular support.

The Net Effect on Public Perceptions of Representative Democracy

Taken together, these disincentives create a serious obstacle for politically-driven reform in Bolivia. It is important to note that this lack of will also has tremendous impact on the representative capacity of the Bolivian political system. Parties that lack an incentive to develop and pursue the interests of the citizens who elected them are, in essence, failing to effectively represent their constituency. Until at least some political parties in Bolivia believe that their electoral potential hinges on their ability to convince or demonstrate to the electorate that their party is pursuing the voters' interests, it is difficult to consider the system genuinely representative. Although the institutions of representative democracy are present, there has not yet been real representation of the interests of poorer (often indigenous) Bolivians to date. This point is critical. Throughout its research, NDI regularly encountered assertions that "representative democracy does not work for us," and that participatory democracy would be a better fit for domestic cultural preferences. While cultural preferences for consensus-model decision-making are certainly evident in the indigenous communities of Bolivia, it is not clear that 'representative democracy' is to blame for the current system's flaws. It is unfortunate that Bolivians are judging the notion of a representative system on the history and actions of a system that many Bolivians describe as fundamentally unrepresentative. However unfortunate this judgment is, it is partially responsible for the increasing calls for reform from the most radical leaders of the indigenous movements.

SECTION VI

Recommendations for the International Community

Regardless of the challenges built into Bolivia's political system, sustainable poverty reduction will ultimately require the constructive involvement of political parties. As the bodies that coordinate election to public office, they are intimately involved in the deci-sion- making process of every elected and appointed official. As the only official non-state link among all levels of government, parties are one of the few potential domestic sources of sustainable coordination capacity for policy formulation and implementation. In light of the obstacles to political parties' capacity to drive pro-poor change, however, interna-tional assistance programs may be designed to account for current system failures in the short-run and to empower self-sustaining reform in the long-run.

Supporting Political Stability and Pro-poor Reform
at a Macro-structural Level

As demonstrated, many of the political obstacles to pro-poor reform in Bolivia originate at institutional and structural levels. In response to those challenges, and bearing in mind the varied mandates of the international development community, NDI recommends that efforts to support reform at a macro-level include emphasis on the following:

Structural reform that deconstructs politically-motivated job distribution practices and reinforces healthy political competition. Recognize that these reforms are political by nature and therefore likely to meet strong resistance from entrenched interests.

For example, reform leading to the establishment of a permanent, non-partisan civil service is desperately needed. At present, parties' ability to distribute public sector em-ployment in exchange for political and financial support is one of the lynchpins in Bolivia's noncompetitive political system. Previous attempts to reform the civil service failed, in part, because the parties' dependence on employment distribution as a means of secur-ing political legitimacy was underestimated. Although many parties may have expressed frustration with the practice, they have no incentive to actively support elimination of the partisan staff tradition.[86] Conversely, an abrupt change in the political appointment system carries the danger of contributing to short-term political instability as parties scramble for new ways of guaranteeing electoral support.[87] Reform would, therefore, need to be gradual enough for parties to find substitute means of securing popular support; perhaps phasing a non-partisan civil service into ministries and state agencies immediately follow-ing elections for the next several electoral cycles.

Long-term institutions that not only bolster the social capital needed to overcome years of political and economic exclusion, but that also satisfy the demands of emerging democratic institutions.

The need to invest in institutions is by no means a new idea, and the international community already supports many such programs in Bolivia. In designing these initiatives, however, donors must recognize that informal networks of exclusion have permeated society so extensively that it is necessary to design certain types of institutional reform with a long-term objective in mind and the understanding that such investments will not show results for nearly a generation. For example:

Professional Education. Much is being done to improve access to education for all sectors of society. While investing in education at all levels will contribute to greater human development over time, integrated university education with an emphasis on developing managerial and entrepreneurial skills (in place of technical specificity) would do much to address capacity constraints in municipal governments, erode entrenched parallel systems for social engagement, and gradually build a cadre of qualified administrative personnel that can fill demands for non-partisan civil positions as they become available.

Formal Partisanship. Bolivia needs political parties that are able to coordinate policy and communicate outcomes in order to build a poverty-reduction strategy that is consistently responsive to the needs of the poor. Although there is a natural tendency to emphasize the need for consensus among political elites in conflict-sensitive societies, this can reinforce tendencies toward political collusion already in place in Bolivia. One response would be to make greater use of formal mechanisms for partisan negotiation and disagreement, in an effort to eliminate dependence on informal networks or connections.[88] At a structural level, reforms that could advance this formalization of political practices include: greater transparency for fiscal processes, procurement, and discretionary-spending; electoral laws that do not encourage mega-coalitions; and measures that integrate the need for negotiation of geographic differences directly into government structures and public space (e.g., single-member districts rather than party list; direct election of regional-level government). Such reforms would likely generate more visible disagreement and a necessarily slower pace of reform, but they would also reduce dependence on informal systems of negotiation and encourage more constructive party competition over time.

Lending and monitoring mechanisms or timetables that are sufficiently flexible to accommodate the inherently political process of reducing poverty and exclusion.

Efforts to employ the right mechanism to deliver assistance are most successful when the assisting organization bears in mind two key notions. First and foremost, there is a tangible relationship between the actions of international assistance organizations to inject money and/or technical assistance into a policy process, and the development of the do-

mestic political system. Secondly, when donors specify a poverty reduction agenda, they have already begun to pursue specific political outcomes whether they overtly engage political parties or not.

Over the course of three National Dialogues, Bolivia has seen a large-scale (and in the case of the PRSP, well-financed) donor emphasis on civic participation in designing economic reform packages. Although direct civic participation in national dialogues is one mechanism for increasing social inclusion in decision-making, it should not eclipse formal mechanisms for incorporating citizens' concerns into policy-making processes. While methods of fostering sustainable systems of inclusion are more relevant to techni-cal assistance programs, it is important to note here that large-scale efforts to ensure participatory policy processes have the most impact when the mechanism selected can be easily and inexpensively integrated into all types of policy procedures. Political parties and civil society groups are not interchangeable participants in effective policy-making processes; in other countries, civic groups that attempt to play all the roles of a political party (from issue advocacy to supporting a candidate) have then gone on to develop the same institutional features of the other parties in the system.[89]

Technical Assistance to Foster Stable Transition and Alleviate Short-run Insecurity

Long-term pro-poor reform will not only require patience, but the recognition that deep reform of the political processes that affect poverty reduction will generate periods of uncertainty in the short to medium term. Encouraging a stable transition from the current cartel-based, parallel system, to a responsive, inclusive system should include efforts to encourage parties to reform their own structures, political management training programs for emerging alternative political groups, and measures to build public faith in political ac-tors' ability to effect meaningful reforms.

Promotion of healthy political competition

Healthy competition within a political system can be fostered through technical assis-tance, using a number of strategies. One approach is to identify groups or individual within parties who have recognized the need for fundamental change, and to work with them to recognize and pursue opportunities where parties have political incentives to move particular issues. In other contexts, structured use of public opinion research has helped provide a useful "reality check," and may highlight the need to demonstrate tangible in-cremental, meaningful reform, based on dialogue with underrepresented groups. Despite a central tendency in Bolivia toward uncompetitive political practices, elected political actors with a genuine desire to improve the lives of their constituents do exist. Where it is the lack of political management capacity or experience that obstructs support for reform processes (most likely at municipal levels), international support for political management

training programs may be one solution. Such training could enable more moderates in political leadership positions - from political parties and indigenous movements - to pursue tangible reform while in office, and to build political support based on that success. While ongoing capacity-building programs have focused on specific technical processes or developing policy resources, political training programs that teach strategic planning, management, effective use of the media selecting public relations projects and techniques for political impact, designing two-way communication mechanisms, and dealing with an angry public could have a considerable effect immediately following the December 2004 municipal elections.[90]

Alternatively, political reform may be most rapidly advanced by weakening the cycle of public cynicism identified by NDI as follows:

Massive protest → Extreme demands → Reform-as-crisis-management → Insufficient change →

Greater public cynicism, by cultivating strong political leadership among emerging political movements, parties and citizen groups.

In the end, effective political negotiation will require politically savvy actors from all parties. Cultivating leaders from previously-existing and newly-emerging political parties now is a longer-term strategy, but has potential to stabilize the incorporation of new actors into a system which admits new members only grudgingly.

Focusing new political actors on the constructive aspects
of formal political involvement

The challenges in Bolivia are significant since some of the most vocal critics of the government are generally more comfortable criticizing from the outside, and often reluctant to work too closely with the international community. There is space for movement in this area but it requires a longer-term approach to enable newer political movements to gain a meaningful seat at the negotiating table by demonstrating their capacity to propose alternative solutions. Support for inclusion requires work on both sides of the table. Technical assistance programs designed to foster more effective citizen advocacy to relevant levels of government by engaging in the political process, rather than working around it, could

gradually build public familiarity with the state. Political or elected officials who are likely to be advocacy targets need assistance developing political management skills, negotiation tactics, the capacity to administer through transition, budget management skills for responsive government, and use of the media to cover success stories. Lessons learned or tools used to implement these types of programs in states with more evident conflict, such as South Africa or Macedonia, may also be useful.[91]

Restoring confidence in political communication through
public education and expectation management

The stagnant pace of always-promised poverty reduction has made the Bolivian public extremely skeptical of all messages delivered by political parties. Today, information delivered or assertions made by party actors are almost immediately discounted by the public. This challenge to political legitimacy and stable reform can be addressed through a number of strategies. Technical assistance programs for political parties could be tailored to encourage the use of regular public communication mechanisms in conjunction with incremental improvements in social service delivery to build public credibility and voter support. Such programs would need to be targeted at political parties concerned about maintaining sufficient support at local levels, and be based on foundation that strategic local outreach is, at this juncture, the only way to build public support rather than enforce cynical conclusions.

Alternatively, there is tremendous need for civic education and accessible information on economic reform from sources outside of discredited state and political institutions. This could include the following: continuing support for implementation of freedom of information legislation (including assistance on making the most use of available, affordable information technology); training for journalists on media coverage of specific types of economic processes; targeting future community leaders for youth programs that include information on Bolivia's economic history and current situation; and others. Such opportunities for capacity building could help to moderate public expectations in the short- to medium-term, and provide a source of concrete, incremental change.

SECTION VII
Conclusion

Sustainable democratic governance and poverty reduction in Bolivia will require a transition from the current situation of party collusion to retain political power, to a more broadly-based competition to attain political power. Such a transition will be necessary in order for reform-minded individuals to be able to pursue the changes needed for pro-poor reform. It is also needed to restore public confidence in political parties and the democratic process. Typically, such transitions are either stable and lengthy, or rapid and accompanied by a period of more extreme instability. In the end, this duality must shape the international community's efforts to assist Bolivia in its transition.

For established political actors, the events of the last few years have prompted serious concerns: Morales's near presidential victory in 2002; protests, violence and the shutdown of La Paz in February and October 2003; the overthrow of a twice-elected president through a process that began with indigenous street protest; succession of a 'non-party' president; the country's first referendum (on national hydrocarbon policy); and electoral reform that eliminates the need for party support to contest municipal office. Faced with the current political environment, parties must, at some level, wonder what these events portend for their future. How much of today's authority will they still control in ten years? In twenty years? Without a doubt, party leaders believe that traditional politics in Bolivia, as they have come to master it, is under some threat. It is clear that a newly mobilized indigenous population can not only perform well at elections, but can effectively shut down the capital city if they believe appropriate reforms have not been made. To the extent that the parties have a constituency, their constituents are anxious. Despite the parties' control of the economic and political levers of power in society, the events of October 2003 demonstrated that parties are out of control. This is a recipe for political fear and uncertainty. Consequently, an international community hoping to provide the most suitable type of assistance must consider the way parties have decided to respond to this threat.

Eventually one must ask how concerned the parties actually are about their future. If they are fearful at all, what kind of fear is it? Some fear prompts groups to turn inward and strengthen internal coordination in an effort to stave off challenges from the outside. A cynic might argue that Bolivia's parties appear to have responded by agreeing to tighten their informal network, act as a single ruling group, and hope that reforms to the electoral law, the referendum, and the pending constituent assembly will distract the new political actors sufficiently to slow their progress. This could be motivated by a belief that if the parties are all working together, they can remain consistently ahead of the emerging groups. But how long would it take the population at large to recognize this strategy, if new groups

are able to mobilize or inform citizens effectively? It is not yet clear which is moving faster– social recognition of cartel politics, or the cartel's "response" to public demand.[92] Will the parties realize that they must make painful internal reforms early enough to remain part of the political system, or will they prove so resistant to difficult reform that the electorate will eventually dismiss them?[93] As detailed in this document, the two different scenarios will require quite different responses from the international community. Effective donor support for pro-poor reform in Bolivia, therefore, hinges on preparing for both potential outcomes simultaneously, while recognizing that only one can occur in the long-run.

Notes

[1]   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).

[2]   Political parties are defined as citizen groups organized for the purpose of supporting a candidate for office. The implication of this is that the recently constituted "citizen groups and indigenous towns," which have organized to pose candidates for municipal office in the December elections, are now functioning as political parties.

[3]   This applies to both long term programs intended to address the root causes of poverty (deep social issues can be addressed only over the long run), as well as short term or immediate programs to alleviate specific poverty symptoms.

[4]   "Bolivia: Electoral Reform in Latin America" by Rene Antonio Mayorga, in *The International IDEA Handbook of Electoral System Design,* pp. 79-84, 1997, International Institute for Democracy and Elections Assistance.

[5]   Among other things, this law on public participation recognized oversight committees as a way of integrating the indigenous population into local government structures.

[6]   Bolivia country studies: Federal Research Division of the Library of Congress as part of the Country Studies/Area Handbook Series sponsored by the U.S. Department of the Army between 1986 and 1998. http://countrystudies.us/Bolivia.

[7]   *The National Revolution and its Legacy* by Juan Antonia Morales, p 213-231. in *Proclaiming Revolution: Bolivia in Comparative Perspective;* edited by Merilee S Grindle & Pilar Domingo. Harvard University Press; Cambridge MA. 2003; Some would argue that, while it provided more immediate bargaining power, the formal role of unions pre-empted a more natural relationship from evolving between self-organized indigenous communities and the state.

[8]   *Country Development Programming Framework* (CDPF) Canadian International Development Agency. 2003- 2007: http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUImages/development/$file/Bolivia%20CDPF.pdf

[9]   The church, elected officials, NGOs, bureaucrats, political activists.

[10]   NDI interview, May 28.

[11]   In contrast with private universities, where education is considerably more expensive and students' families are more likely to already participate in business-political circles. Students in these universities likely have employment opportunities available through more established family connections.

[12] NDI interview, Santa Cruz, May 25.

[13] NDI interview, Santa Cruz, May 25.

[14] Furthermore, parties assume that all other parties are competing for office in the same manner. Politically-driven distribution of civil service positions is, in effect, a Nash equilibrium. Assuming all other parties' strategy for securing electoral support is constant, no party has any incentive to eschew patronage systems.

[15] "Are Parties What's Wrong with Democracy in Latin America?" by Susan Stokes, for presentation at the XX International Congress of the Latin American Studies Association, Guadalajara, Mexico, April 17-19, 1999. As presidential and congressional elections are held simultaneously, the assumption is that a majority vote for president would also secure a majority government in congress.

[16] NDI interview, May 20, 2004.

[17] NDI interview, May 21, 2004.

[18] NDI interview, May 26, 2004.

[19] NDI interview, May 27, 2004. In the aftermath of October 2003, this multi-party group announced that they would no longer vote along party lines, but "in the interest of Bolivia." Several observers suspect this is opportunist positioning. Others assert that this is the only way individual Members of Congress could demonstrate their support for Carlos Mesa's technical government.

[20] NDI interview, May 25, 2004.

[21] NDI interview, La Paz, May 24, 2004.

[22] NDI Interview, Cochabamba, May 2004.

[23] NDI Interview, Cochabamba, May 2004.

[24] NDI interview, La Paz, May 27, 2004.

[25] NDI interview, May 25, 2004.

[26] NDI interview, May 24, 2004.

[27] While MIP also provided an alternative for frustrated voters, their political area of influence is geographically limited in comparison with that of MAS. MIP also lost significant influence around the referendum with Quispe's unanswered call for a referendum boycott and his subsequent renouncement of the party leadership (but not his membership).

[28] MAS's support for the July 19 hydrocarbon referendum did a great deal to legitimize that process to those parts of the population that would have been most likely to protest. Morales's recent move to oppose the consequent legislation, and political negotiation with MNR to ensure MAS a strong voice on committees dealing hydrocarbon reforms (in exchange for supporting MNR control of the impeachment proceedings against Sanchez de Lozada), suggests that MAS will maneuver to

continue pursuing its policy goals. Whether one agrees with Morales' policy stance or not, these efforts make him one of the few politicians to commit to a policy publicly and use legislative mechanisms to pursue it.

[29] NDI interview, May 28, 2004.

[30] This could be compared to a monopolist's decision to fight a new entrant by selling at a loss, or to adjust production to reflect a competitive market. In both cases, the decision to fight or adjust likely hinges on the dominant firm/party's estimation of how long it will take to drive the newcomer out of business (and how costly that process would be).

[31] NDI interview, May 25, 2004.

[32] Essentially, MAS's and MIP's performance in the 2002 elections demonstrated their ability to capture votes, and thus political offices which were previously dispersed among the traditional parties.

[33] NDI interview, May 2004.

[34] Community groups in El Alto explained their rejection of one candidate by noting that "he represents the *elites masistas* (MAS elites)". http://www.bolpress.com/politica.php?Cod=2002082544.

[35] Applying cartel theory, collusive firms will only opt to compete (chisel) if they believe that their individual, competitive profit will be greater than the cartel profit divided among colluding firms through negotiation ($\pi > \Pi/n$). Cartel politics functions in the same manner: as the number of coalition partners increases ($n \to \infty$), each party's share of political patronage diminishes ($\Pi/n \to 0$).

[36] NDI interview, May 2004.

[37] The association under discussion charges a membership fee that is a percentage of the councilors' salaries—so if one person earns more than the other, she also pays a higher membership rate. However, the alternate councilors must also pay a membership fee despite not receiving a salary. They pay a smaller percentage based on the salary level of the actual councilor, but the impact is that women from poorer areas are less able to participate in the association, and ostensibly are then less prepared to act as alternates.

[38] NDI interview, May 27, 2004.

[39] NDI interview, May 23, 2004.

[40] NDI interview, May 23, 2004.

[41] This highlights a reoccurring tension between the desire to create participation mechanisms that accommodate specific cultural preferences, and the necessity of broadening participation mechanisms to accommodate all types of participants simultaneously.

[42] This section focuses on the informal institutions of Bolivia's poorer citizens, but one could make the case that the powerful departmental civic committees are also an outcome of wealthier citizens organizing to guarantee administrative stability in the absence of a capable state government structure.

[43] All quotes from a water co-op meeting near Santa Cruz; May 25, 2004.

[44] The "transversals group" in Congress being a major exception to this rule.

[45] NDI interview, May 28, 2004.

[46] NDI interview, August 25, 2004. This is part of the reason that civic committees are such powerful bodies in many departments.

[47] NDI interview, May 2004.

[48] NDI interview, July 2004.

[49] NDI interview, May 24, 2004.

[50] NDI interview, May 24, 2004. The UN (Unidad Nacional, National Unity) however, held party leadership and municipal candidate primaries with an open voter registry in major cities, which means that any registered voter regardless of party affiliation can vote in this party's primaries. Also, MAS holds primaries for some positions with voting open only to the social organizations that support the party. For other positions, the party decides directly on the candidate as it did for the priest turned mayoral candidate in El Alto. Additionally, MIR held primaries for regional authorities with an open voter registry and plans to do the same for national leadership positions next year.

[51] Municipal councils are composed of members elected via a party list system. Until the recent electoral reform, candidates required party sponsorship to run for this office. While MAS councilors only recently appeared on the political landscape, the party does enjoy a majority in some places. In some cases (more often urban than rural districts), indigenous candidates are recruited to campaign as substitute deputies, but report that they are excluded from the actions of the municipal council once the election is over. While there are many MAS councillors (a majority in some places), NDI interviews indicate that the municipal councils are dominated by business leaders who are backed by the traditional parties. In some cases, indigenous candidates are recruited to campaign as substitute deputies, but report that they are excluded from the actions of the municipal council once the election is over.

[52] NDI interview, Cochabamba, May 2004.

[53] NDI interview, May 2004.

[54] While departmental interests certainly varied tremendously throughout Bolivia's history, the discovery of natural gas in the south, the drop in mining industries, and (perhaps most of all) recent political activism by indigenous leaders demanding greater inclusion and social support in the highlands have only reinforced the diversity

of needs across departments. Policies designed to enhance general economic growth now face a whole new level of regional differences. The emergence of El Alto as an independent city to rival the population of La Paz is, in itself, a tremendous shift in the factors that influence departmental demands.

[55] Several interviewees gave detailed examples of this phenomenon: the silver mines and colonial Spain, the foreign tin mines which monopolized newer natural resource discoveries, etc. This historically rooted resentment also plays a key role in highlanders desire to preserve Bolivia's natural gas reserves only for use by domestic industries, etc.

[56] *The National Revolution and its Legacy* by Juan Antonia Morales, p 213-231in *Proclaiming Revolution: Bolivia in Comparative Perspective;* edited by Merilee S Grindle & Pilar Domingo. Harvard University Press; Cambridge MA. 2003.

[57] The most recent and obvious volume on this issue is *Proclaiming Revolution: Bolivia in Comparative Perspective,* which traces the revolutionary theme and its impact in the development of the modern Bolivian state. See especially *Revolutionary Memory in Bolivia,* p. 117-134.

[58] It is interesting to note that the introduction of many of these major reforms met with serious social protest and ultimately required the administration of the day to declare a "state of siege."

[59] Land distribution and titling efforts undertaken in the 1950's—but still unresolved—are perhaps one of the most easily visible failures of reform. Intended to re-distribute land to indigenous communities who had been excluded from ownership, the reforms ran into trouble when military regimes allowed military and business colleagues to acquire the most desirable land parcels. Today, formal ownership is still unclear, preventing indigenous communities from using land as a basis for formal enterprise or as collateral for needed capital loans.

[60] All quotes from NDI interviews conducted with municipal officials from August 25 to August 30, 2004 in Beni, Pando, Oruro, Potosi, Chuquisaca, and Tarija.

[61] NDI interview, May 21, 2004.

[62] Indeed, current congressional debate surrounding the hydrocarbon bill and the treatment of international contracts under the new regime has elicited both domestic and international concern for the future of foreign investment in Bolivia.

[63] NDI interview, May 24, 2004. Some observed that the effectiveness of protest has even altered what the indigenous community expected out of its leaders, explaining "if they do not [generate a protest], then they cannot show they are leaders."

[64] NDI interview, May 25, 2004.

[65] Meeting of small business owners in El Alto, May 2004. Note that all attendees own businesses that are registered to operate in the formal sector. These are not black-market

enterprises. While price fixing for domestic manufactures is almost universally frowned upon, certain domestic products were at one point sufficiently regulated in Bolivia to give the impression that the government ought to do something about price levels.

[66] NDI interview, May 21, 2004.

[67] Empirical research indicates that individuals with higher levels of education are more likely to support sound long-term economic policies. http://www.gmu.edu/departments/economics/bcaplan/thinkpeltz2.doc.

[68] NDI staff was surprised at the degree to which the term "model" surfaced in conversation with political figures. While technical elites are often willing to discuss this level of detail, NDI is unaccustomed to public political figures (even at local levels) tossing around economic jargon when describing the reform process.

[69] It is apparent that the personalization of Bolivia's political system enables party leadership to affect change by requiring elected members to pursue specific outcomes (laws, procurement processes, administrative facilitation or, regulation, etc.). However, these are policy positions based on the information of one or a few powerful individuals—they are not reflective of party synthesis and response to the standing issues.

[70] NDI interview, August 27, 2004.

[71] NDI interview, May 26, 2004.

[72] NDI Interview May 25, 2004.

[73] *Politics and the PRSP Approach: Bolivia Case study.* David Booth with Laure Helene Piron. November 2003. PRSP Monitoring and synthesis project. p. 30.

[74] This "politicization" of the PRSP, though it displays political conflict quite openly, can be a critical part of cultivating a national ownership process. See other NDI publications for greater detail, particularly *Parliaments and the PRSP* at: www.undp.org/governance/docspublications/policy_dialogue/18_Parliaments_and_the_PRSP.pdf.

[75] NDI interview August 27, 2004.

[76] Among leaders interviewed by NDI.

[77] This sentiment was reflected in interviews with political leadership as well as citizen groups. The perception that the international community (and the US in particular) has the final say in Bolivia's internal economic decisions was similar across social actors.

[78] In their analysis of the PRSP process in Boivia, Booth and Piron note the international community's tendency to strongly encourage governments to incorporate specific agency or institutional priorities has been present in Bolivia as well. "At a certain point [towards the end of the PRSP development process] the notorious 'Christmas tree effect' made its appearance, with efforts to accommodate criticisms of the drafts by adding new material." *Politics and the PRSP Approach: Bolivia Case Study,* by David

Booth with Laure Helene Piron. November 2003. PRSP Monitoring and synthesis project, p 32.

[79] NDI interview, August 25, 2004.

[80] For example, under the AND/UCS/MIR coalition, if ADN appointed the minister, UCS appointed the second in command, while MIR appointed the third. This continues down the chain of command. Cynics would assert that the purpose is not to integrate the coalition cabinet effectively, but to broaden the number of political appointments that can be bargained among the coalition partners.

[81] One former staffer told NDI of a colleague who, on his last day, tried to infect his desktop with a computer virus, "so that the new minister doesn't benefit from all my work."

[82] Such strong party coordination is needed for centralized party systems such as Bolivia. Where numerous candidates run as part of a party list, parties can be expected to provide significantly more guidance and support than less centralized systems with majoritarian districts.

[83] NDI interview, August 2004.

[84] NDI interview, May 2004.

[85] NDI interview, May 2004. This disconnect may also come from a lack of knowledge on the part of party leaders at the national level.

[86] Partisan staff are, in same-theory terms, a Nash equilibrium.

[87] Military tactics are, for example, one less constructive way of demanding political legitimacy.

[88] Just as informal property markets need to be recognized to become productive, political grey markets also must be brought into more visible negotiation and competition spaces if they are to contribute to sustainable reform.

[89] This phenomenon is particularly evident in the Balkans, where the post-communist transition meant civil society groups or 'movements' were able to garner much more public support that a "party." Of those civic movements which have fielded candidates, a majority now function virtually identically to 'parties' in the system. Serbia's G-17 is a prime example of this progression from citizen group to traditional political party.

[90] NDI's current program focuses on training female municipal candidates on the political skills necessary to manage the campaign for public office. A party-oriented program to train recently elected municipal officials on the political skills needed to manage a municipality would be logical follow-on work. New officials' ability to successfully perform once elected could have longer-term impact on improving public perceptions of elected officials and political parties.

91   Two recently formed parties, the UN and Plan Progreso (Progress Plan, the party of the current mayor of El Alto) are also participating in NDI's current work. The UN participated in a multiparty discussion NDI organized on party renovation where members of UN and MNR were key speakers, to offer their unique perspectives from one of the newest and one of the oldest parties, respectively. Women from Plan Progreso, traditional parties and citizen groups are participating in our women's candidate school, Winning with Women, a training school for potential women candidates in the December municipal elections.

92   Returning to the useful metaphor of considering traditional parties as firms in a cartel, the desired outcome here would be for the parties to act as a cartel with monopoly profits which, when forced to consider the entry of a competitive alternative producer, decides that accommodation of the new entrant is less costly than efforts to drive the entrant out of business through predatory tactics. For established Bolivian parties, fear of becoming politically sidelined in the medium run may serve as sufficient reason to see "fight" as excessively costly.

93   Similarly, from a cartel perspective, the desired outcome is for individual parties to believe that they would benefit more from chiseling (competing for elections on the basis of their capacity to respond while still participating in the distribution of public sector patronage). As the benefits of such behavior accrue to an individual party, the others have less and less incentive to remain in the non-competitive cartel.

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National Democratic Institute

The National Democratic Institute for International Affairs (NDI) is a nonprofit organization working to strengthen and expand democracy worldwide. Calling on a global network of volunteer experts, NDI provides practical assistance to civic and political leaders advancing democratic values, practices and institutions. NDI works with democrats in every region of the world to build political and civic organizations, safeguard elections, and promote citizen participation, openness and accountability in government.

Democracy depends on legislatures that represent citizens and oversee the executive, independent judiciaries that safeguard the rule of law, political parties that are open and accountable, and elections in which voters freely choose their representatives in government. Acting as a catalyst for democratic development, NDI bolsters the institutions and processes that allow democracy to flourish.

Build Political and Civic Organizations: NDI helps build the stable, broad-based and well-organized institutions that form the foundation of a strong civic culture. Democracy depends on these mediating institutions—the voice of an informed citizenry, which link citizens to their government and to one another by providing avenues for participation in public policy.

Safeguard Elections: NDI promotes open and democratic elections. Political parties and governments have asked NDI to study electoral codes and to recommend improvements. The Institute also provides technical assistance for political parties and civic groups to conduct voter education campaigns and to organize election monitoring programs. NDI is a world leader in election monitoring, having organized international delegations to monitor elections in dozens of countries, helping to ensure that polling results reflect the will of the people.

Promote Openness and Accountability: NDI responds to requests from leaders of government, parliament, political parties and civic groups seeking advice on matters from legislative procedures to constituent service to the balance of civil-military relations in a democracy. NDI works to build legislatures and local governments that are professional, accountable, open and responsive to their citizens.

International cooperation is key to promoting democracy effectively and efficiently. It also conveys a deeper message to new and emerging democracies that while autocracies are inherently isolated and fearful of the outside world, democracies can count on international allies and an active support system. Headquartered in Washington D.C., with field offices in every region of the world, NDI complements the skills of its staff by enlisting volunteer experts from around the world, many of whom are veterans of democratic struggles in their own countries and share valuable perspectives on democratic development.