

Thanks to International IDEA, the Overseas Development Institute and, of course, DFID, for organizing this conference and for inviting the National Democratic Institute to contribute to the discussion on the interconnection between political systems and poverty issues in Latin America and beyond. As an international democracy promotion NGO, now with offices in more than 60 countries, NDI has been active in Latin America for over 20 years. NDI has been privileged to have DFID support for pro-poor programs in Latin America, specifically Bolivia and Peru, as well as Africa and pleased to have collaborated with International IDEA on studies and symposiums on this subject in the Andean Region.

Today I'd like to share with you a practitioner's experience on work with intermediary democratic institutions on the pro-poor agenda. My presentation is organized in four parts.

First, at the request of the conference organizers, I will venture outside the region and provide a brief overview of NDI poverty-related programs worldwide, looking at our engagement in the framework of the World Bank's Poverty Reduction Strategy (PRS) process and the UN's Millennium Development Goals and outlining two programs in Mali and Nigeria, that unlike our programs in Latin America, focus on work with legislatures.

Second, I'll detail the findings of DFID-supported NDI country research in Bolivia and Peru on political disincentives for pro-poor reforms built into the party system.

Third, I'll outline how these studies led to the design of party programs to promote poverty reduction initiatives.

Fourth and finally, I'll suggest a series of lessons learned to be considered by practitioners, the donor community and, of course, partners in considering future work.

I. Overview of NDI Pro-Poor Programming

So first, a broad overview. For more than 20 years, NDI has focused its democracy promotion work on strengthening the intermediary institutions and processes that connect citizens to their government—elections, political parties and legislatures.

We are increasingly focused on how democratic development and economic development can be made more complementary and mutually reinforcing. Today, there is widespread recognition in the international community that promoting economic reform is insufficient; even well-conceived development plans will run aground in the face of weak institutions and unfavorable politics. Similarly, democratic development without economic development likely spells trouble ahead. While democracy is a process rather than a set of guaranteed end results, people naturally expect that process to improve their quality of life.

Unless intermediary institutions function well, democracy cannot flourish. Increasingly in NDI's efforts to strengthen intermediary institutions, we have focused on identifying political processes that help democracy "deliver" for its citizens—resulting in improved government service delivery and effective economic reform and poverty reduction programs. This focus is increasingly at the core of our work in Latin America.

NDI has worked on the politics of poverty reduction in a broad range of countries, including Bolivia, Peru, Nigeria, Malawi, Niger and Indonesia.

Advocacy for Greater Parliamentary Engagement on PRSPs

NDI came to develop this new focus on reduction of poverty and inequality through advocacy for greater parliamentary engagement in the World Bank supported Poverty Reduction Strategy process.

As many will recall, after the World Bank and IMF supported countries in developing the first round of poverty reduction strategy papers (PRSPs), international financial institutions and the donor community conducted a number of evaluations. Many of these found ways in which civil society participation could be improved through more representative and targeted participation.

More fundamental was widespread exclusion of parliament as an institution within the PRSP process, a concern often raised by NDI and other observers. In 2002, the bank and donors acknowledged that the involvement of parliaments had been too limited. NDI prepared a number of papers for the World Bank Institute and others suggesting how parliaments could be more actively engaged in PRSP development, approval and monitoring. Around this time, NDI also began advocating for a stronger role by parliaments in the Millennium Development Goal process, preparing a series of guides for the UNDP on parliamentary engagement in MDG achievement.

Malawi

This advocacy work was mirrored by work NDI was conducting on the ground, at the time primarily in Africa. In 2001 in Malawi, with support from DFID and others, NDI undertook a pilot program seeking to improve the interface between legislators and civil society, and increase civic input into legislative policy, particularly on issues of poverty reduction.

Malawi is one of the poorest countries in the world, facing what the World Health Organization has termed "the triple threats of HIV/AIDS, food security, and poor infrastructure." In 2000, Malawi was included under the World Bank Highly Indebted Poor Countries Program (HIPC) and a Poverty Reduction Strategy Paper was developed by the Government of Malawi with support from the World Bank. Though competitive elections had been held since 1994, Malawi's democratic transition was far from consolidated. Like some countries in Latin America and elsewhere, the executive was disproportionately stronger than the legislative and judicial branches and the president

sought to use his dominant position to secure a constitutional amendment to enable his unlimited reelection.

In this context, NDI saw the PRSP as an opportunity for strengthening parliament's institutional role. During a four-year program, NDI worked with the legislature to strengthen committee structures to examine implementation of the PRSP in key sectors like health and education. At the same time, we engaged civil society groups to monitor priority pro-poor expenditures as identified in the f and report these findings at public parliamentary hearings.

This pilot program faced multiple challenges and had several weaknesses. Still, it laid the groundwork for modest advances. Prior to the program, parliamentary committees rarely met. Since, there has been a dramatic increase in committee activity. Also, parliamentarians increasingly look to civil society organizations as potential partners and sources of information, and the parliament has played a greater role in the budget process.

Nigeria

NDI drew on our experience with the Malawi pilot program to design a pro-poor program in Nigeria. With support from DFID and USAID, again NDI engaged civil society organizations (CSOs) to interface with the parliament on pro-poor initiatives. The programs in support of the economic development plans in Nigeria were integrated into a larger program of assistance, which not only provided direct support to parliamentary and civic engagement on pro-poor reform plans and legislation, but also sought to address the political incentives that impact the policy process.

In terms of institutional capacity, NDI has worked to support the National Assembly in forming a Budget and Research Office to provide legislators with greater access to budget analysis and research. In addition, NDI has supported greater legislative oversight of extractive industry revenue in Nigeria, supporting review by the relevant committees of Extractive Industries Transparency Initiative (EITI) legislation, and in strengthening existing provisions dealing with parliamentary oversight of oil revenue. NDI is also providing technical assistance to a new Civil Society Liaison Office created by the Nigerian National Assembly to establish an institutional space for legislators to reach out to civil society and for civic groups to contribute to the legislative process. Nigeria presents special challenges because of the rampant corruption and tainted 2007 presidential election process. It is still not clear if the Assembly elected in 2007 will continue the trend of its predecessor toward independent action and greater oversight of the executive.

II. Bolivia and Peru: Incentives Structure for Pro-Poor Initiatives

In Latin America, NDI's work on pro-poor policies has been channeled more through parties than parliaments. As a common thread running through multiple institutions, parties not only represent people; they form the legislature and the executive and often have a key role in the judicial branch by appointing judges: they are a key vehicle for

institutional change. However, the crisis of political representation that has discredited many traditional political parties in Latin America and encouraged the emergence of new organizations of political representation and social movements, especially in the Andean countries, has diminished the ability of parties to play their necessary intermediary role.

With DFID support, NDI began pilot projects in Peru and Bolivia in 2003-2005 to study the incentive structure within the political party system affecting pro-poor initiatives and has organized follow-up activities to encourage greater party focus on this area. As previous speakers have stressed, in Latin America the issues of poverty and inequality are closely linked. Although five consecutive years of modest economic growth in the region have slightly reduced the percentage of people living in poverty, Latin America still has the most unequal distribution of income in the world.

In conducting these studies, our first step was to conduct a diagnostic “X-ray” of the parties to determine why parties were not responding to issues of poverty or were perceived as not responding. To understand the dynamics, NDI researchers conducted more than 75 interviews in each country with a range of parties at all levels from national leadership to grassroots.

Broad themes of process weaknesses emerged. The studies concluded that institutions and behaviors within the political party systems in both countries diminished key incentives for pursuing pro-poor reform. Party rigidity had compounded political exclusion and inhibited the ability of parties to connect effectively with the national electorate. A number of specific problems were found to impede progress:

First, weak internal structures of communication and administrative capacity affect the image and ability of parties to develop sound proposals and can be a serious disincentive to pursuing concrete pro-poor policy initiatives. Parties have developed their capacity to campaign and spin messages faster than they have increased their capacity to develop, coordinate and test policy. Investing in policy development is not considered a worthwhile expenditure. Parties do not believe that the ability to form sound policies will affect their performance in elections. As one minister said: “People are used to the idea that parties don’t have policy platforms.”

Second, where parties function as top-down vehicles to advance the interest of individual party leaders and lack a mechanism for bottom-up communication, the electorate takes a back seat since there are few incentives for parties to develop and advocate for a representative policy. Top down direction and communication means that parties don’t benefit from their own knowledge of the needs of the electorate.

Third, existing party finance and candidate selection processes create disincentives for poverty reduction either by creating strong structural incentives to pursue personal benefits instead of economic reform or by directing public finance in ways that discouraged parties from listening to new voices.

Fourth, patronage systems weaken political incentives for poverty reduction. Patronage often includes distribution of public sector employment to party loyalists. This can involve diversion of government resources to increase political support through patronage, rather than using these resources more effectively for broad based poverty reduction. Where patronage takes the form of distribution of public sector employment, it can undermine the efficiency of the public service, by reducing the importance of merit and by promoting high turnover after elections.

The Bolivian study also identified party cartelism and practices of “negative politics” as factors discouraging concerted party engagement on pro-poor initiatives.

- Excessive party deal-making or “cartelism” blurred party differentiation and reduced incentives for policy development.
- Politics organized around regional and national power structures among rival factions can easily devolve into “negative politics.” In this case, party incentives are to inflict damage on the opposing groups (even at the expense of dismantling democratic safeguards), rather than demonstrate accomplishments or the value of its policy relative to other groups. Poverty reduction is addressed in campaigns in general ideological terms, but rarely in terms of concrete, tested policy.

In 2007, NDI updated the Bolivia study to take into account changes in the country since the 2005 election of President Evo Morales. Principal findings include:

- Cartelism is in decline and intra-party competition increasing, based on the proliferation of new organizations of political representation.
- Party structures have become more decentralized and regionalized in conjunction with the debate over the Constituent Assembly, draft constitution and different autonomy schemes. This pattern has affected decision-making by national parties and impeded the ability of parties to develop rational national policies for poverty reduction.
- Politically-based appointments of state civil servants have reduced the level of technical competence, which could impact negatively on the implementation and design of poverty reduction programs.

Nonetheless, the study identified new opportunities to engage parties and movements on pro-poor policies, for example to develop better channels for encouraging citizen participation and assist in overcoming party shortcomings on communication and competence.

III. Changing the Incentive Structure Through Political Party and Parliament Support

So given this diagnostic, what can be done to shift the balance of the party incentives structure more in favor of pro-poor initiative?

In seeking to answer that question, NDI is guided by a few key principles.

First, our focus is on strengthening the democratic nature of the processes by which economic development is debated and implemented, not the content of policies.

Second, we believe that political parties must be engaged in finding solutions, rather than just being treated as part of the problem.

Third, programming needs to be based on an understanding of the political dynamics that drive policy making, rather than relying solely on capacity building as a strategy.

Fourth, both national and regional/local levels need to be engaged since poverty is distributed so unevenly.

Finally, we need to be modest and realistic in our expectations. As the U.S. democracy scholars Tom Carothers and Larry Diamond point out in a recent article for the *Journal of Democracy*, certain elements of political culture such as patronage and corruption are not flaws to be corrected with technical fixes or even a political decision. They may require a revolutionary change in institutions.

So how did we respond to the diagnostic programmatically?

First, we shared country findings with leaders from all major parties in both countries and then, through multiparty workshops and targeted follow-up engagement, sought to support parties' efforts to address shortcomings in three principal areas:

- First, internal party communication and coordination, facilitating platform and policy development so as to reflect input by elected officials at all levels.
- Second, message development on recognition of poverty as a political issue, working to ensure that this discourse extends beyond rhetoric.
- Third, outreach and representation of excluded groups, including promoting dialogue with civil society groups and social movements.

What was the result?

In Bolivia, we found strong interest and engaged multiparty groups in multiple regions, but follow up, particularly at the leadership level, was weak as national disputes over the constitution and competing autonomy models consumed political energy and overshadowed all other issues. In presenting the updated Bolivia study early in 2008, we found strong interest in several departments—but at the grassroots level, not with national leadership.

In Peru, as a result of the intra-party forums involving 14 parties, leading parties APRA and Unidad Nacional (UN) prioritized poverty reduction in the development of platforms

for the 2006 presidential campaign, and party activists became more engaged on poverty and equality issues.

We have also worked to incorporate the lessons of the two studies into our other work with parties.

In Peru, in partnership with local and international health experts, NDI has sought to increase parties' engagement on a key pro-poor issue: health. Before the 2006 elections, political parties talked about the seriousness of poverty and poor health, but it was unclear whether this would translate into specific party platforms and policy proposals. While the country's 2000-2001 national political accord identified health as a primary concern, action on the issue had stagnated.

Keeping in mind the incentive structure diagnosis, NDI brought together 18 parties to share practical lessons on how members and leaders can develop research to improve party platforms, communicate party positions to the public and monitor policy implementation.

- In the lead-up to 2006 elections, in a new step, four parties included health platforms in their campaigns.
- In addition, 16 parties came to a consensus on health policies and signed the Multiparty Accord on Health.
- The Minister of Health recently presented a proposal to the Peruvian Congress to establish a national health care system, which was also part of the Multiparty Accord.

To promote sustainability, NDI, in conjunction with local and international health experts, is providing a series of multi-party trainings to young political party leaders on good practices of healthcare policy development.

We have also sought to adapt these strategies to our program in other countries in the region:

For example, in the impoverished Colombian department of Choco, which has a majority Afro-descendent population, NDI launched a similar program around the 2007 department and municipal elections. In a promising sign, CSOs have been asked by the Choco governor to provide input to a new regional development plan.

IV. Lessons Learned: Applications for Others

We have drawn a number of lessons from this ongoing work:

1. Capacity building can often be an important part of development assistance, but it is essential to understand the political incentives that govern poverty reduction. Training on poverty reduction issues, either for politicians or government officials—by itself—is unlikely to accomplish much if the political incentives do not encourage politicians to pursue effective poverty reduction strategies.

2. While there are limits on what external assistance providers can do to help improve the political incentive structures faced by political leadership – particularly in countries where substantial resources flow through informal patronage systems -- there are a range of program models that show promise, including work on platform development to encourage more programmatic parties and facilitating agreements among parties on broad-based public policy goals. Where strong organizations of political representation are in government and opposition, they provide government officials with a political incentive to perform well.
3. Ensuring sustainability and follow-up after initial pro-poor democratic governance programs conclude is enhanced by working in the framework of general poverty reduction strategies, such as a national development strategy or PRSP, provided that these mechanisms enjoy broad political legitimacy, as in Peru’s National Accord.
4. Polarized societies in political turmoil present special challenges as pro-poor initiatives tend to be defined much more in ideological terms. To take advantage of opportunities, it is important to maintain a long-term perspective as well as encourage multiparty and intra-party dialogue on defining concrete pro-poor policy challenges.
5. Both “demand” (citizen) and “supply” (institutions) sides should be considered in program design. Enhancing constructive interaction between CSOs and politicians should be a priority and new institutional mechanisms should be explored.
6. Finally, there needs to be greater collaboration among democracy and economic development implementers and donors. Democracy and economic development should be seen as mutually reinforcing.

* * * * *

These pro-poor programs have represented a new and increasing dimension of NDI’s democracy work in Latin America as well as other regions. Political incentive structures vary widely by country. Country-specific economic, social and historical factors help determine political stake holders and popular expectations regarding pro-poor initiatives. In some countries, legacies of deficit spending for social welfare programs have created public expectation for government welfare, which may be unsustainable in the long-run. In other countries, natural resource wealth has funded ongoing welfare programs, but not successfully built a more broad-based sustainable economic base. Countries with linkages between the political system and organized crime or illegal drug trade can also further complicate the political incentive structure.

Through studies to identify incentive structures in party systems, such as those sponsored by DFID, NDI can better design programs to strengthen the political processes that directly affect poverty reduction, whether through party or legislative strengthening or civil society programs. Through country specific projects we have able to refine our approach and better support our partners’ efforts to respond to the increasing demands by

citizens for action to overcome the unacceptably high levels of poverty and inequality in the region.