

**Strengthening Civil Society from the Outside?  
Donor-driven Consultation and Participation Processes in Poverty  
Reduction Strategies (PRSP): the Bolivian Case**

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## **1. Introduction**

In the mid-1990s, an initiative was launched to provide special debt relief from public creditors to more than forty Highly Indebted Poor Countries (HIPC). In 1999, this initiative was further refined and widened in what has been hailed as a new approach to development co-operation. The indebted country is to produce a Poverty Reduction Strategy Paper (PRSP), which will make clear how it will pursue the twin goals of sustainable growth and combating poverty. This is meant to provide guarantees to creditors that the budgetary resources freed by debt relief will be used to combat poverty<sup>1</sup>. Interestingly, the conditions attached by the donor community for granting debt relief emphasize full country 'ownership', by which is meant that the PRSP process must be country-led and the result fully backed by the government, in contrast to some of the structural adjustment programs which were written by economists from the IMF and the World Bank and signed without conviction by the recipient government. A related feature is that the PRSP must be produced in an open and participatory<sup>2</sup> manner. More specifically, civil society should be consulted and be involved in preparing the PRSP. The international donor community has eagerly espoused the thesis that civil society organizations (CSOs) can play an important role in democracy and development. There is now considerable funding for projects to strengthen CSOs in developing countries (Howell & Pearce 2000: 75). The Poverty Reduction Strategy goes one step further by insisting that organized civil society be acknowledged as a partner by government. This makes it the most important effort to date, to apply participatory approaches at the macro level (Tikare et al. 2001:3).

From the point of view of the donor community, a lot is expected from the participatory approach in the PRSP formulation. «It was hoped that a participatory process would contribute to broader country ownership of the strategies, facilitate implementation and strengthen governmental accountability» (Bank-Fund Staff 2002:11). In general, the assumptions are that participation of civil society will enhance institutional performance and foster government accountability by giving civil society a role in monitoring policy implementation. Civil society thus has to be turned into a watchdog of government, alongside the media and parliament. Secondly, participation will increase ownership of the development strategy, not only by the government, but also by the population, by stimulating reasoned debate, shared understanding, and a partial consensus on some of the fundamental strategic choices (Tikare et al. 2001:5; Eurodad 2001; McGee 2001:8). Thirdly, participation of civil society organizations will increase the effectiveness of poverty reducing policies, partly as a consequence of increased ownership and accountability, but also more directly by involving the poor in identifying the causes of their predicament and some of the remedies (e.g. Isham et al. 1995; Schusterman & Hardoy 1997). Fourthly, in the long run, the foregoing three factors will interact in a virtuous circle, deepening and strengthening both democracy and the development process (Howell & Pearce 2000:75; Putnam 1993).

These assumptions have been to a certain extent validated by research into the successes and failures of past aid policies<sup>3</sup>. Donor thinking has gradually become more sophisticated over the years, reflecting the cumulative insight of large numbers of evaluations and other studies, both by donor institutions and by independent researchers. But quite a lot of the thinking on the role of civil society and participation is based on Western experiences, where participation and the growth of civil society has been (more or less) an endogenous process that evolved over centuries. Third World countries however now face considerable external pressure (under the form of the PRSP guidelines) to increase the role, weight and influence of CSOs.

So the fundamental question is: what gains can be expected from externally imposed participation. Will civil society be strengthened? Can one strengthen civil society as if it were a homogeneous unity? Or is it more about strengthening certain parts of civil society? If so, which parts are to be strengthened? Can donors “buy” participation? Is civil society in these HIPC countries prepared for its new task as a high-level negotiator? Have NGOs and other actors the expertise to interact with government on sometimes highly technical matters? Do actors involved in the PRSP have a mandate from the rest of the not-for-profit civil society to speak on their behalf? Can urban-based highly educated NGO officials represent the poor, especially in ethnically and culturally highly fragmented societies? Even if civil society is representative and up to its task, is the government serious in seeking its involvement? Will government propose genuine participation, rather than try to placate the donors with a semblance of the real thing? Even if the answers up to this point are all in the positive, do we have guarantees that such participation will be instrumental in achieving other developmental goals? More specifically, will participation bring about more accountability, ownership, and effectiveness? In addition, will it do so in ways that are institutionally robust? How does such civil society participation in fact square with the political process? Will fragile democracies not be undermined when unelected civil society actors perform some of the basic functions of parliament, and will this not jeopardize the sought after long-term effects of more accountable and representative government? Obviously, the range and scope of these questions is quite formidable, and the aim of our paper is more modest than to try to answer them all. Yet donors, led by the World Bank, act as if they have the answers. In the case of Bolivia in particular, weak points are being acknowledged and lip service is being paid to the difficulty of securing genuine participation, but the overriding message is that the participatory dimension of PRSP process in Bolivia has been quite successful, and that other countries can learn from it, if not by imitation, then at least by adaptation<sup>4</sup>.

We have serious misgivings about the optimistic assertions that civil society participation will trigger off more political performance and more accountability, more ownership, and increased effectiveness. In this paper, we set out our doubts. Our contention is that participation as imposed by donors, is at the same time too ambitious to be workable and too vague to be monitored. We do not question that intensive participation is a sign of a mature developed society, nor that it constitutes a desirable goal by itself and that it puts pressure on governments to perform better, and therefore in the long run is desirable for the HIPC countries now drawing up PRSPs, but we do have qualms about the way proposed to get to that remote point. Our thesis is that the participation conditionality imposed in the context of PRSP is excessive, and thus too demanding, but also blunt and thus not demanding enough. We argue that the participation conditionality should be ‘contextualized’ in the sense of being moulded to the specific history and institutional context of every country. We use Bolivia, generally regarded as an example of successful civil society participation in the PRSP, to make our point. Through describing the participation process and analyzing its weaknesses and problems we will see that the vagueness of donors gave the Bolivian government the freedom of organizing the process in a way that neutralized the potentially revolutionary sting of civil society involvement. Bolivian government was given a free hand to manipulate the process and to render it harmless to itself. Admittedly, some genuine participation took place, but not by the poorest, and it was circumscribed to a small part of the PRSP that not only did not threaten the central government but in fact turned the heat away from its own considerable failings. A preliminary conclusion suggested by our reading of the Bolivian case is that the participatory PRSP process does not fundamentally alter the relations between government and civil society, but that it reproduces the already existing strengths and weaknesses, and at best, adds some positive gradual changes. Public sector accountability was

strengthened, but not in ways that allowed to tackle the major failings of the present political system. As far as listening to civil society is concerned, the donor community restricted its attention very strictly to the PRSP and turned a blind eye to several incidents where the government dealt ruthlessly with civil society protests that questioned and challenged the development strategy. We refer in particular to government plans to privatize certain public service utilities and to eradicate coca production.

We further doubt that there has been an increase in “ownership” as a result of civil society participation in the Bolivian PRSP process. Bolivia remains as divided as ever on the development strategy followed with considerable donor approval since 1985. If put to the test of a referendum, those policies, including those embedded in the PRSP, might well be rejected by the majority of the voters.

We are also not convinced that the participation that took place increased the effectiveness of poverty alleviation policies. We argue that local participation had an impact on the effectiveness of the PRSP, but that its influence was circumscribed to a small part of the total budget. Moreover, even for this small part, it is not so clear that participation will, on most counts, lead to a more effective poverty reduction strategy. Participation is not necessarily good for combating poverty. There may be cases where there is too much participation for effectiveness sake. We argue that there have been several such occurrences in Bolivia

As far as the lessons for other countries are concerned, if relatively little progress has been achieved in a country with a fairly open political opportunity structure, and a far better organized and vocal civil society than in most of the other countries where the PRSP process is being tried, much of the optimism surrounding the participatory nature of PRSP is unwarranted. It would be far better for donors to get away from their unrealistic and vague participation conditionality and to replace it by country-specific and realistic targets.

This paper is based on extensive literature study, secondary data and information gathered during interviews with governmental and non-governmental actors that were involved in the PRSP participation process in Bolivia (a complete list with interviewed actors is attached in annex).

## **2. The Bolivian Case**

Bolivia has an average income per head of around US\$ 1000 and glaring regional and ethnic (white and mestizo versus Indian) inequality. Social indicators are much closer to those of African countries than to the rest of Latin America. Two thirds of the population is living below the national poverty line, and child mortality in the poorest regions is among the highest in the world. In 1985, a few years after the restoration of democracy, the country embarked on a sweeping economic reform program with the help of the IMF and the World Bank (Morales and Sachs 1990). Since then, the country has been a model pupil of the Bretton Woods Institutions, and has received vast amounts of development aid from multilateral and bilateral sources<sup>5</sup>. It has sound macroeconomic policies and has enacted bold liberal reforms, involving among others the privatization of mining and banking industries. It has however not witnessed the high rates of growth of for instance its neighbor Chile or the Asian economies whose macroeconomic policies it has successfully emulated (Kaufmann et al; 2001). In the 1990s, a moderate annual growth of GNP of 4% was registered, but much of that was offset by a rapidly expanding population and since the end of the 1990s, the country is in economic crisis (Banco Central 2002). In fact, over the whole period 1985-2001 Bolivia has achieved an insignificant per capita income growth rate

of less than 1% a year, vastly insufficient to lift Bolivians out of poverty within an acceptable time horizon (World Bank 2002b). To make matters worse a disproportionate part of growth was concentrated in the richer areas of the country (the axis La Paz –Cochabamba – Santa Cruz) and in capital-intensive hydrocarbon and mineral industries. Bolivia is, together with Guyana, the only country in South America on the World Bank list of highly indebted poor countries (HIPC). This means that its external debt, mainly owed to multilateral and bilateral public creditors, is judged unsustainably high (World Bank Staff 2002).

Access to the HIPC resources after the expansion of the initiative in 1999 (henceforward called HIPC II) is linked to the country organizing a civil society participation process. To be sure, participation is not as strict a condition as for instance sound macroeconomic policies. There is a strong suggestion that some participation be organized. World Bank and IMF staffs do not however have precise criteria by which to judge success in this area and they mainly want to be satisfied that the country has done a genuine effort to involve civil society. In Bolivia, the government organized a National Dialogue – sometimes referred to as Dialogue 2000 or Dialogue 2- with respect to the PRSP. This Dialogue was a country-led, nationwide consultation process that was initiated in June 2000 and ended three months later in August 2000. In total 2,423 people participated in the Dialogue (273 at the national level, 935 at the departmental level and 1,215 at the municipal level) (Christian Aid 2001:5). The consultation process was conducted through municipal, departmental and national government structures, making use of the institutional framework the Law of Popular Participation (Ley de la Participación Popular) provides since 1994. Greatest emphasis was placed on municipal Round tables where social issues were discussed. More importantly, these discussions focused on how the HIPC II resources would be allocated so as to have the largest possible impact on poverty. Most observers seem to agree that Bolivia organized quite an impressive participatory process.

## **2.1. Organization of the Participation Process**

The potential impact of a nationwide participation process is largely determined by the organizational format or the institutional design of the process itself. The way in which such a process is organized therefore -- in scope, in depth, who is to be consulted and the extent to which the government is tied by the end result of such a process -- is an important issue that can lead to profound disagreement and conflict. This is exactly what happened in Bolivia. Fierce discussions and sudden changes in governmental strategy preceded the final format of the National Dialogue 2. Before making a critical analysis, we will give a short chronology of the participatory process and how it was set up.

When the word got out that a nationwide consultation was going to take place, many civil society actors immediately and pro-actively tried to influence the preparatory process. An independent group of professionals had several contacts with Vice-President Jorge Quiroga to discuss poverty reducing strategies and organizational matters of the Dialogue. The Church and several social organizations expressed in an open letter to the government their concerns about the intentions of the government, while making propositions on the organizational aspects of the process and announcing their own nationwide consultation process called Jubilee 2000. Government contacted networks of non-governmental development organizations (NGOs) on the organizational aspects of the process and the latter prepared a document on the minimum conditions to be satisfied for participation not to turn into a mere formality. A group of associations of small entrepreneurs from the informal sector, distrustful about the intentions of

the government, decided to found their own Federation – Comité de Enlace – and organize their own National Consultation (Consulta Nacional), which was intended to feed into the National Dialogue.

At first, the government and the Technical Secretariat of independent that was entrusted the task of organizing the consultation process, opted to do so along functional lines, mainly involving nationally organized NGOs, movements and institutions. This format had also been used during the National Dialogue 1 in 1997, organized by the government of President Banzer at the beginning of his term in office<sup>6</sup>. Many CSOs however were very dissatisfied with the way the Banzer administration had selected the participants (without consultation), the brevity of the consultation (three days) and the unwillingness of government of having in-depth discussions on development strategies.

The Technical Secretariat subsequently decided to design a process along territorial rather than functional and sectoral lines (World Bank 2002a:7). Using the institutional framework of the Law of Popular Participation (1994) and the Decentralization Law (1995), the local municipalities would become the main actors in the participatory process<sup>7</sup>. These revised proposals with their focus on consultations at the municipal level were presented to the donors by the end of January 2000. No direct reference was made to the nationally organized CSOs. Informally however, meetings were held with these functional CSOs and donors created a Special Fund to support the contributions these CSOs would make through their own consultation processes, which in the end would be brought into the National Dialogue.

In the meanwhile, from December 1999 to August 2000 CSO processes bloomed across Bolivia, in preparation of the National Dialogue or parallel to it. The Special Fund financed not less than 14 processes involving an estimate of 10,000 people, and international NGOs contributed money for the preparation of critical documents<sup>8</sup>. The government on its part continuously postponed the official launch of the Dialogue, due to social unrest and political crises. There was for instance quite some confusion around the results of the municipal elections that had just taken place and the effect this might have on the constitution of the municipal round tables. In March 2000 protests broke out in Cochabamba around the privatization and ensuing dramatic price increases of water, and they triggered a series of protests all over the country. The government responded with military force and declared a national State of Emergency. The sometimes violent clashes however continued and resulted in five deaths. The use of violence was heavily criticized and led to even more uprisings. At that point, the coordinator of the Technical Secretariat, appointed to organize the National Dialogue, resigned because of the way the government was handling the crisis. Finally, the Banzer government relented and gave in to many of the demands of the protesters. Under the pressure of the Church, the trade unions and the donor community, which threatened to withhold HIPC debt relief, the state of emergency was lifted and the National Dialogue finally started.

At its official launch, in May 2000, the government explained the final design of the Dialogue. It would consist of three separate dialogues: a social, an economic and a political agenda. These three agendas would come together in a final National Round Table. Each agenda would invite different stakeholders. The social agenda - which is of major concern for our paper - would be discussed through municipal and departmental round tables, following the existing decentralized political structures that the Law of Popular Participation and the Decentralization Law had called into life in 1994 and 1995. The economic agenda would be discussed with large entrepreneurs, the political agenda mainly with political parties and government officials.

## -- The Municipal Round Tables --

Before the round tables took place, the municipalities received a questionnaire. In this questionnaire four topics were handled: identification of poor and how to address their poverty, identification of institutions which should handle HIPC resources and criteria for allocation, identification of institutional mechanisms to control and evaluate the use of resources and type of civil society involved in it, desirability of institutionalization of the Dialogue 2 and ways to implement it.

The round tables were held over two days in each of the capitals of the nine departments in Bolivia. The following people were to represent the municipality: the mayor (representing the local government), the Vice-President from the municipal council (representing the local opposition), the President of the vigilance committee (VC) (representing civil society) and a female member of the VC (representing women). In some occasions representatives of Jubilee 2000 (Church), the National Consultation (Comité de Enlace) and other CSOs were given permission to observe the round tables. All municipalities concurred in that they all wanted to implement the strategy themselves, seven out of nine tables wanted resources to be allocated on the basis of poverty indicators, six out of nine tables wanted a national and departmental institution to control and evaluate the use of resources (with the Church participating in both), all agreed that the dialogue should be carried out periodically. Each municipal round table elected representatives from amongst those attending, to go on to the departmental round tables. Of the 130 elected, 65 were from government, 65 from civil society (Vigilance Committees).

## -- The Departmental Tables --

The Departmental Tables, taking each two days, were open to a wider range of participants. Not only the representatives of the municipal round tables participated, but also representatives coming from Jubilee 2000, the National Consultation, labor unions, federations, NGOs, universities, national and departmental CSOs, representatives of the Departmental Councils, the Central government, Congress and Prefectural representatives. While Jubilee 2000 and the National Consultation presented their own results, the Departmental tables reached a near consensus<sup>9</sup> about the need to install an institution to control, monitor and evaluate the use of the resources, and a full consensus that the Church should play an important role in such a monitoring mechanism and that the Dialogue should be institutionalized. The departmental tables appointed representatives to go to the National Table.

## -- The National Table --

The national table (August 28 – September 2, 2000) was divided into two segments. The first half was dedicated to the outcome of the social agenda, the second half to the economic agenda. The concrete results regarding the social agenda were that 70% of the HIPC II resources were to be distributed on the basis of poverty indicators, while 30% of the resources would be distributed equally among the nine departments, and further down to the municipalities. Secondly, a consensus was reached on mechanisms for the distribution of the resources: the municipal governments should be responsible for the administration of the funds. Thirdly, the stakeholders agreed that civil society should have the opportunity to control, monitor and evaluate the use of the resources. This was translated into a “mechanism of social control” in which the Church

would play a major role. Finally, it was agreed that the National Dialogue would take place every three years.

The economic agenda did not arrive at a national agreement due to large disagreements amongst the representatives of the private sector. The political agenda centered around three broad topics: democracy, participation and transparency, but never made it to the national round table, as it remained stuck in preparatory seminars. In these seminars representatives of Jubilee, the Consulta Nacional, political parties and government participated. No agreement was reached because the proposals presented by civil society - for example the direct election of independent candidates - were a source of profound disagreement with and amongst political parties and government representatives.

## **2.2. The results: strengths and potential weaknesses**

All in all, the National Dialogue has been an important process. Although the economic and the political tables did not produce any national agreements, important results came out of the participatory process in the social agenda.

Two concrete institutional arrangements resulted from the Dialogue. The first one is the Law of National Dialogue (Ley del Dialogo Nacional). The law stipulates that the consultation exercise as implemented for getting access to the HIPC II resources is to be repeated every three years. The goal is to involve the municipalities in the further implementation, the monitoring and the evaluation of the PRSP. The second concrete result is the agreement to install a National Mechanism of Social Control (Mecanismo Nacional de Control Social), which consists of nine Departmental Mechanisms of Social Control. These institutions consist of civil society actors and they will supervise the local and the national level on the use of the HIPC II resources. The Church will play a coordinating role in this mechanism.

These direct results are important because they stipulate on paper that municipalities will receive, from now on, more influence regarding pro-poor development policies and more resources to combat poverty. At the same time, municipalities will get direct access to the HIPC II resources. For municipalities this implies a doubling or more of their resources. These resources have to be exclusively destined at combating poverty at the local level. Regarding the role of civil society as a watchdog of government, the passing of the Law on the National Dialogue that foresees an institution called National Mechanism of Social Control is an important step forward, although it is too early to know how this institution will finally function.

Admittedly, the additional decentralization resulting from the National Dialogue has several advantages over the previous Law of Popular Participation: the allocation of resources favors the poorer municipalities, additional social control mechanisms are put into place, and it has been accepted that political parties should lose their political monopoly in fielding candidates<sup>10</sup>. Nevertheless it remains to be seen whether the serious weaknesses of the previous reforms will be avoided.

The National Dialogue has also had a few indirect results. Important to mention is that the participation process induced a further institutionalization of the Law of Popular Participation. This is important and positive because it strengthens local level actors in their capacity to contribute to the formulation of development policies, while their opportunity to reduce poverty



at the municipal level is substantially increased. Regarding civil society, the organization of processes in preparation or alongside the Dialogue showed that quite some Bolivian CSOs have the capacity, strength and credibility to organize complex and nationwide consultation processes in a large country with geographically widespread populations (ref). CSOs themselves admit that the Dialogue, directly and indirectly, has induced a transformation process, which turned their attitude from “Protesta” (protest) into “Propuesta” (proposal). The antagonistic style which historically marked the activities of large sectors within civil society –as in the rest of in Latin America -- was at least partly turned around thanks to the interventions of donors (interviews Juan Carlos Nuñez; Hugo Fernandez; Vladimir Sanchez; World Bank 2002:12). The Special Fund that financed these processes has thus been crucial in helping certain civil society organizations contribute constructively instead of focusing exclusively on protest. Furthermore, the Dialogue has created an opportunity for large CSOs to work together and to create alliances. Probably the best example is the founding of the ‘Comité de Enlace’ (Interview Coco Pinelo; Hugo Fernandez; Nuñez), which united small and medium producers and artisan organizations into a federation. They successfully influenced the National Dialogue through lobbying. The one other institution that has come strengthened out of this process is the Catholic Church<sup>11</sup>. It succeeded in becoming the main actor in the institutionalization of the Mechanism of Social Control (World Bank 2002:18).

These new institutional arrangements however have to be seen against the background of the nature of Latin American politics in general and Bolivian politics in particular.

Latin American politics are heavily characterized by clientelism and patronage: unofficialdom, the dominance of informal rules, a bureaucracy being dominated by political criteria instead of merit, the weakness of institutions and formal rules. These features form the most serious obstacles to political performance, and the most pertinent causes of corruption. Political parties play an important role, because they form the vehicle to capture and circulate state patronage among the middle classes. Bolivia stands out as an extreme case (Kaufmann et al.). On the other hand, Bolivia has a very high score on civil liberties (Freedom House 2002; Kaufmann et al.:31) that partially explains the quite active attitude of civil society. Bolivia is thus characterized by low government effectiveness, low control of corruption and low rule of law, yet an open opportunity structure and an active organized civil society. What can this tell us about the functioning of the new institutional arrangements? Some scholars argue that when Latin American politics are concerned, a new set of rules and institutional arrangements does not necessarily alter the configuration of power relations. Neither does it alter the modes in which actors interpret rules, negotiate around them and apply them as a functions of power resources which are distributed unequally (Vilas 1997:11). If a system functions predominantly on clientelism and patronage, this is a vicious circle that is difficult to break (Putnam 1993).

In short, an appreciation of the nature of the political game in Bolivia should prevent us from assuming that new institutional arrangements will automatically change the political mechanisms that are the root cause of problematic political performance. The past also indicates the stubbornness of certain mechanisms.

The institutional arrangement that was proposed by the Law of Popular Participation in 1994 did not fundamentally change the nature of the political game in Bolivia. Recent literature (Ejdesgaard Jeppesen 2002) argues that it did not alter the relations between rich and poor, urban and rural, mestizo and indigenous, and secondly, the all pervasive power of the political parties was not counterbalanced by the control function the Vigilance Committee is entitled to exercise, but rather penetrated it. The general assessment the CSOs make related to the local structures is

that the civil society organizations at the municipal level – the so-called Territorial Basis Organizations (Organisaciones Territoriales de Base) - and the Vigilance Committee have been co-opted into the system and spoiled by political party benefits and promises. According to Ivan Arias who was at the time of our research vice-minister of Popular Participation, about 80% of the presidents of the VCs are members of political parties (interview Ivan Arias). In this sense, according to Medeiros (2001:413), the state succeeded in enlarging the sphere of its hegemonic control through shrinking its responsibilities and enlarging civil society participation. The state ‘created’ civil society by recognizing all sorts of organizations as OTBs and securing representation in the Vigilance Committee, yet at the same time the state could, through party politics, control the functioning of these newly created institutions. Turning back to the PRSP, chances are that the meddling over the HIPC II resources at the local level will be heavily influenced by party politics rather than genuine concern for the voiceless and poor constituents. To therefore argue that the involvement of the opposition in the National Dialogue (through the presence of the Vice-President of the municipal council in the municipal round tables) contributes to the continuity of the PRSP across different governmental coalitions, may well be a naïve interpretation of Bolivian reality.

Regarding the strengthening of civil society, a general criticism is in order. The strengthening of civil society organizations -- supporting them financially, motivating them to monitor government and make constructive contributions -- should not go at the expense of the institution that in a democracy is supposed to perform these functions, namely parliament. Most PRSP participation processes treat parliament very casually, almost dismissively (Eberlei 2001: 12; Eurodad 2000, 2001), as if its core function of controlling the government could just as well be taken over by un-elected civil society organizations. Parliament should control, discuss, debate, reject or approve. That is the nature of the political game. Crucially, parliament can be held accountable by the public. Members of parliament that do not do their job well can lose their mandate. Civil society organizations on the other hand do not run that risk: they are not held accountable; they do not risk their jobs and future. It thus seems quite unhealthy to deposit such a large part of the control function of the poverty reduction strategy solely in the hands of private organizations.

An additional advantage of parliament is related to the fact that it constitutes an indirect form of representation. This allows the government to get approval from parliament for technically complex decisions, such as those relating to macroeconomic reform that may not carry the immediate approval of the general population. At the next parliamentary elections, when some of the results of the decisions have become manifest, the population is in a better position to judge whether such decisions were well founded or not. It could be argued that this is what happened in Bolivia, where since 1985 four successive democratically elected governments have each obtained the approval of parliament for unpopular but necessary reforms imposed by the donor community. It is unlikely that any of them would have succeeded if it had had to get approval from the population through a process of participation of CSOs. The Bolivian parliament has not been much involved in the PRSP. The PRSP was itself not submitted to a parliamentary vote, although some features regarding its implementation were approved by law. The opposition parties were invited to participate in the political dialogue, but the underlying consensus model did not fit well with the political tradition in Bolivia, where opposition parties essentially oppose anything that comes from the government and wait their turn at the next elections to govern.

Added to that, Bolivia, like many developing countries, does not have a very effective legal and administrative framework to control, monitor, audit or sanction NGOs and other CSOs. The law

of the jungle pretty much rules the space of civil society organizations, and there are few rules or limits to what they are allowed to do. Bolivian government officials complained to us during interviews that donors quite unselectively supported all kinds of organizations that wear a civil society jacket, even when their activities had a destabilizing effect on the economy and society. For instance, they attributed some of the disturbances that occurred during the year of the National Dialogue to the uncritical support by donors, and warned that donors were in this way undermining the political stability of the country. The critique raises interesting challenges for donors: what kind of legal civil society framework should they support in developing countries? What kind of civil society organizations should be strengthened? In addition, how should the institutional task divisions be arranged so as to avoid overlap and institutional weakening of legislative organs?

Perfectly comprehensible reasons may be advanced on why parliament is being bypassed. On Bolivian soil, two arguments were put forward. First, parliament has a bad reputation. Bolivian actors (both governmental and non-governmental) stated in interviews that parliament is not perceived by most Bolivians as a representative body, that Bolivians do not trust it. The *Latinobarometro*<sup>12</sup> effectively shows that only 16% of the Bolivians trust parliament<sup>13</sup>. But that cannot be a good argument to ignore parliament, as civil society can never replace it in the task of controlling the executive branch of government. A second argument is that parliamentary involvement in the PRSP might not actually promote the interests of the poor (ODI 2000: 17). It is said that parliament is corrupt, that members of parliament are only motivated by personal and material self-interest, that the political party to which they belong has a greater influence over them than their constituencies. Even without questioning the validity of these claims, one may ask whether it is not likely that similar problems will occur outside the political sphere? The *Latinobarometro* shows that in 2000, only 18% of the Bolivians expressed trust in their fellow citizens, and general trust scores hit an all time low. The data indicate a deep legitimacy crisis in which political institutions have lost credibility. Measurements in 2000 showed that only 22% is satisfied with the functioning of democracy (*Latinobarometro* 2000). This raises the question to what extent Bolivian citizens trust umbrella-like civil society organizations, or social movements or grass-root movements to negotiate on their behalf the PRSP or monitor its implementation? In other words, to what extent do civil society organizations effectively voice what lives in society? Are the organizations 'representing' in one way or the other 'the people'. Data collected in Bolivia show that 60% of the population is not at all involved in associational life. Of the citizens that do participate not less than 25.6% is member of a religious organization. The second most successful organization are sportclubs (17.9%) and labor unions (11.9%)<sup>14</sup>. The Church is thus not only an institution that draws quite significant numbers of people to its organizations, but furthermore it is also highly valued, trusted and credible. About 82% of Bolivians express trust in the Catholic Church. Therefore, granting the Church an important role in the installation of the National Mechanism of Social Control seems logical and might induce the sentiment that the implementation of the PRSP and the control over HIPC II resources will be effectively carried out. In our view the installation of such a control mechanism should not replace or absolve the responsibility of parliament, and these mechanisms should not function as roundabout ways to tackle political problems. If donors think that political governance issues are so crucial to development in general and the effective use of aid resources in particular that some conditionality is justified, they should face the issue squarely and address the problem of corruption and badly functioning democratic institutions.

### 2.3. Forging a change but taking the sting out

Although the Bolivian participatory process falls nothing short of an impressive exercise – an exercise most Western countries have never undertaken - the results are heavily marked by the fact that it was externally imposed on a government that at the same time had all the leeway to organize it the way it saw fit. We argue that the government succeeded in taking the sting out in two ways: by de-politicizing the topics open for discussion, and by politicizing the selection of the participants.

From the outset, the structure of the Dialogue and the questionnaire upon which the social agenda discussions were based, heavily constrained the scope for institutional change. The four topics dealt with in the questionnaire and in the Dialogue were often put in the form of yes/no questions and the responses the municipalities would give were quite predictable: of course the municipalities thought the local level the best place to combat poverty, of course the municipalities choose to receive the HIPC II resources directly, of course they did agree that the use of the resources should be monitored, and obviously the Dialogue should be repeated every once in a while. It thus seems that the results coming from the social agenda were largely predictable to the government that had been pulling the strings.

Furthermore, the structure of the Dialogue has been criticized because the organizational weight of the participatory process was mainly at the local level and on the social agenda. According to quite some CSOs representatives this deliberately limited the potential role of CSOs to make substantive contributions to the PRSP in the short run, and to a politico-structural change in the long run.

Limiting significant participation to a social agenda -- how are we going to combat poverty with extra money coming in? -- reduces poverty to a social issue disconnecting it from the economic and political structures with which it is inherently related. The social emphasis implies that poverty reduction is largely based on a social welfare/basic needs model (GTZ 2002:3-4). The existence of three separate tables, in spite the obvious links and overlaps between issues, was therefore criticized by most CSOs, because poverty should be analyzed and tackled in all its dimensions, including the structural aspects related to the economic and political system. As such, land tenancy and the legal problems related to property and access to land were not discussed, although most of the social conflicts in Bolivia are connected to these topics (interview Leyton). In that same sense, little or no consideration was given to asset redistribution. In other words, civil society could not touch upon structural issues that produce and reproduce inequality and poverty because the social agenda did not allow it. The agendas where structural issues could be discussed (the economic and the political agenda) were open to only limited civil society participation and were by their nature unlikely to yield clear agreements, implying that no immediate changes would endanger the existing status quo. During interviews several CSO representatives claimed that the government had failed to act upon the demands of civil society regarding political and economic reforms; that the participation process was a hoax, a political maneuver to make the donors happy; that the process was not open for discussing the poverty reduction strategy in its totality; that the underlying macro-economic policies were not touched upon. The sting was thus taken out of the participation process by confining participation to a limited range of topics that were social in nature and service-oriented in scope.

Following its choice to emphasize the local level, the Technical Secretariat and government decided to organize participation using the institutional framework of the Law of Popular

Participation. As explained before, the mayor, the Vice-President of the council, the President of the Vigilance Committee and a woman would be participating in the round tables. The fact that at least half of listed players were elected officials holding a political mandate is a somewhat odd interpretation of civil society participation and representation. Civil society organizations correctly argued that this process was more about central government consulting local government, than central government consulting civil society. The more specialized intermediate NGOs were thus as a result bypassed, which was very much to the convenience of the Bolivian state, because these highly professionalized NGOs are generally perceived by the state as oppositional and antagonistic. Conversely, the Church is often perceived by other members of civil society as being closely aligned with the state<sup>15</sup> (Christian Aid 2001:3). Bypassing the intermediate actors is, to a large extent, silencing critical voices and thus taking the sting out.

Such conflicting views on whether civil society was involved or not, point to different interpretations on what civil society is and who may act on its behalf. Since the participation process is about poverty-reducing policies, a fundamental question was: who is entitled to speak on behalf of the poor? When we look at the PRSP sourcebook published by the World Bank<sup>16</sup>, a very open and inclusive listing of civil society actors is presented. The following actors are referred to: government departments other than the ones in charge of developing the PRSP, local governments, parliament and other representative bodies, the public (including the poor), organized civil society, the private-for-profit sector, and external partners (i.e. donors). In other words, the definition of civil society as used by the World Bank is quite broad, and it recognizes the heterogeneity of civil society. But, does it suffice to just list all possible actors as potential participants in the PRSP process? Is it not too bland an approach to want to co-opt and support a differentiated 'civil society' in all its components? The sourcebook does not propose guidelines for distinguishing relevant from less- or non-relevant actors. However, given the aim of the PRSP, special attention and weight should be given to those groups that represent the poor and/or those institutions that are specialized in assessing poverty. In the same vein, it might be justified to neutralize the potentially negative impact of those groups in civil society that might jeopardize the pro-poor outcome. Civil society is just as much characterized by power differences and tensions as any other dimension in society (Howell 2000:9), which suggests that special attention be given to the more vulnerable groups who are the intended beneficiaries of the new policies. The big absentees in the Bolivian participatory process however, were the vulnerable groups: urban and rural poor, indigenous groups, and women (Painter 2002; interview Juan Carlos Nuñez). Limited attention was given to ethnic groups and gender aspects in the National Dialogue. Quite striking is the fact that the questionnaires were not made available in indigenous languages, which limited the opportunity for local level participation (CRS 2001:4).

In participative processes, the absence of vulnerable groups, the excluded, the poor is not surprising. The literature shows that poor people tend to be poorly organized (Putnam 1993; Inglehart 1997), and they remain relatively voiceless at the local level and quite reluctant to influence processes of policy-making affecting broader social groupings. From the perspective of the poor, there are several problems with political endeavors: they tend not to deliver immediate material gains; they are often dangerous, in that they exacerbate the vulnerability of the poor; and they require resources that the poor seldom possess. But even when the poor participate, participation might actually confirm the clientelist structures in circumstances where the poor are highly dependent upon non-poor groups (Vandana 1996; Van der Linden 1997). If direct participation is problematic for poor people, other, more indirect mechanisms are called for to address the poverty issue (Engberg-Pedersen & Webster 2002:6). Bolivian government chose to voice the priorities for poverty reduction through the representative logic, assuming that the local

political level would be much closer to the citizens than the national level, that the local level knows more about poverty and is aware of the needs and priorities related to resource allocation to eradicate poverty (Painter 2002:7). However, there are two important problems related to this line of thinking. Firstly, literature states that Bolivian politics is characterized by clientelism and patronage. The local level will most probably not escape from these mechanisms<sup>17</sup>. Some argue that the only thing decentralization brought was the decentralization of nepotism and corruption (Kaufmann et al.2001:17). So, what are the guarantees that the municipal participants in the Round tables were genuinely representing the needs and priorities related to reducing poverty? In many situations particular groups are exactly trying to maintain the inequalities and the economic exploitation (Engberg-Pedersen & Webster 2002:3). This is not to say that there are no reformers among the 'winners' in a given system. But to assume that significant proposals for genuine reform and change will be forthcoming from an elite that owes its success to the status quo, might be somewhat naïve. Correction mechanisms are thus justified from a pro-poor point of view. Secondly, making abstraction of the clientelist mechanisms, one cannot assume that the local level is about homogenous communities having reached a consensus regarding development priorities. The local level is heterogeneous, marked by social stratification and power differences. Local political power will thus most probably be yielded in the interest of the more powerful and organized groups, i.e. the local mestizo elite rather than in the interest of the local indigenous poor (Andersson 1999:6). It is very difficult to tune down the vested, powerful and organized interests in favor of the unorganized and voiceless poor. A local process, no matter how open, participative and democratic in content, does not necessarily produce outcomes that are in the best interest of the poor. It may even work to the benefit of the poor when top-down non-participative, but pro-poor schemes are simply imposed to neutralize all too powerful local brokers and patrons (Vandana 1996; Van der Linden 1997). In the case of Bolivia, doubts have also been expressed regarding the capability of local office holders to correctly assess poverty issues and to propose effective and remediating solutions. Witness the frequent 'wish list' phenomenon, where municipalities ask for things like 'repairing the statue of the local saint' or 'redecorating the central plaza' as part of their poverty reduction plan (interview McLean). It is therefore in some cases wholly justified to rely more on technical expertise and/or actors that have specialized knowledge regarding poverty-assessment and are situated above the local level. Attempts to influence policies and decisions affecting the conditions of the poor are typically, but not exclusively, undertaken by various kinds of organization on their behalf. It is assumed that these organizations have clearly identified with the interests and concerns of the poor in order to act on their behalf. (Engberg-Pedersen & Webster 2002:6). When specialized organizations lobby on behalf of the poor, this naturally creates problems of representation, first, because the interests and concerns of the poor must pass through intermediaries who must identify with their interests, and second, because these same intermediaries have their own concerns and interests. The pro-poor policies they try to press through are thus heavily determined by the pro-poor orientation of the organizational landscape (Engberg-Pedersen & Webster 2002:6). From a theoretical and pro-poor point of view, it thus seems legitimate to steer and manipulate the process in favor of the vulnerable groups and invoke technical expertise and the use of tools such as Participatory Poverty Assessment. This however did not take place in Bolivia.

The involvement of intermediary organizations not only remained very limited, but also gave rise to a new cleavage within civil society: representativeness versus expertise. This cleavage manifested itself during the participation process. Local level elected actors regularly questioned the legitimacy and representativeness of large intermediate NGOs: on behalf of whom are they claiming access to resources and are they participating in decision-making processes? Who has given them a mandate? How many people do they represent? The organizations in the Bolivian

civil society that function with membership and representations questioned the legitimacy and representativeness of intermediate NGOs specialized in advocacy and lobbying. The latter organizations do not always have direct relations with the local level, yet they try to influence politics and compete for resources on behalf of certain groups. This tension between two different organizational formats surfaced during the Dialogue: representation versus expertise. According to elected representatives, one can only meaningfully participate when one has a mandate that is supported by voters or members. Legitimacy is thus about the numbers one represents, numbers make the claim or interest legitimate. On the other hand, the organizations that are highly specialized often draw upon normative or moral grounds for legitimacy: gender, human rights, ethnicity, the environment are in themselves legitimate issues, because of the moral weight or the public good aspects these topics carry. As the participatory process from the outset focused on representation, CSOs found that their margin of influence much reduced because their points of view were attacked as lacking in legitimacy.

By way of conclusion, it seems relevant to place the National Dialogue in the wider political landscape and try to assess its importance in comparison with other events. Although the launching of the National Dialogue was covered by the press and media, it was eclipsed by the conflicts that were taking place on the streets. The months before, during and after the Dialogue were unusually conflictive and violent ones (interview Carlos Villegas; Hugo Fernandez). Ironically enough, government was sitting around the table with 'civil society', while at the same time, in the streets, harsh confrontations were taking place between armed government forces and a wide array of organizations. Due to the social unrests, the closing stages of the National Dialogue did not receive much attention in the press. The relative 'unimportance' of the Dialogue is confirmed by a poll held at the time in which only 12% of the people interviewed replied they knew of the existence of the National Dialogue. And the people who knew were mostly individuals with high income (Andersen & Nina 2001: 361). Of these 'informed citizens' however, not less than 86% of the middle and low-income respondents thought that the Dialogue was a political maneuver (ibid: 362)<sup>18</sup>. Clearly, most Bolivians did not know about the National Dialogue, and when they knew, they tended not to believe in the sincere motivations of government. This is another illustration of the deep-seated distrust of Bolivians in their government

We should not forget how dubious and contradictory the position of the Bolivian government towards civil society has been. On the one hand, participation was granted and stimulated; yet, on the other hand ruthless reactions against civil society protest were not avoided. Clashes between the security forces and civil society have been numerous during the last couple of years, and they often turned violent. The campaign of the Banzer government to eradicate coca production in the Chapare region, as part of its fight against drugs, is a case in point. Many of the coca farmers are poor immigrants from the Andean highlands and for them the production of coca, a traditional crop in Bolivia used for local consumption (the leaves are chewed or brewed to make a tea) as well as for sale to drug traffickers, is a question of survival. Coca production is also an important part of the local economy<sup>19</sup> (Laserna, 1993). Since the late 1980s a dual track strategy has been followed, which combines the introduction of alternative agricultural and tree crops with gradually more restrictive legal measures against excessive production and drug trafficking. This policy has not met with much success, notwithstanding enthusiastic financial support of the donor community. Coca is easy to produce and is very profitable. The failure of the alternative development initiatives was among others due, in the words of one of the donors "to the lack of coherence between production and marketing, to unstable national and international markets for alternative products, and to a general weakening of the national economy" (GTZ, 2001:24). The

Banzer government, rather than trying to improve on this dual track strategy, decided to go for a forced eradication campaign, whatever the cost. Whereas an alternative strategy requires a relation of trust with the coca farmer organizations and full grassroots participation, the government tipped the balance in favor of a military solution. with ruthless repression. If an example has to be provided of a policy that has a high probability of proving unsustainable in the long run because it does not allow for popular participation, then the so-called Dignity Plan is a prime candidate. Remarkably, the same donor community that so insisted on a more participative approach, and that congratulated the Banzer government for its National Dialogue, stood by while the government sent in the military<sup>20</sup>.

Although the government, under the leadership of Vice-President (and later President) Jorge Quiroga, seems to have genuinely invested in the participatory process, it also kept a tight control on how it evolved and in particular made sure that the expression of popular frustration was turned away from politically sensitive issues. One of the major causes of the poor performance of the Bolivian economy is that the country is bogged down by extreme forms of clientelism and patronage in the public sector, and by widespread corruption. Efforts to reform the public sector, such as the SAFCO Law of 1990 have produced very little results. A study by World Bank staff identifies this malfunctioning of the state as the major explanation why Bolivia, notwithstanding its exemplary macroeconomic policies, has registered negligible growth in income per capita (Kaufmann et al. 2001). The Banzer, and later Quiroga governments that enacted the participatory process, did very little to turn the tide, on the contrary, they profited, as did previous governments, of the spoils this political system provided to the powers that be. Significantly the government did not seek an alliance with civil society to bring the so needed reforms to the functioning of the state and the bureaucracy.

Donors are aware of the before mentioned problems, but they have been more keen to insulate their own aid programs from the disadvantages of public sector failings, than to use the conditionality weapon to impose more radical reforms. Bolivia counts a small number of highly competent and well-trained technocrats who are working in the interface between the government and the donor community. They are in senior positions in donor funded programs and funds, find a niche in the few non-politicized organizations like the Central Bank, they work as consultants for the government, or find a job in some of the intermediary NGOs in positions funded by donors. Some of them go into politics, like Vice-President Jorge Quiroga who dealt with the donor community on behalf of President Banzer, or Ronny McLean, a former Minister of Finance and Mayor of La Paz who ran an unsuccessful campaign for the presidency in the 2002 elections. For successive governments the reliance on this small class of technocrats has been a way of shielding themselves and the donors from the disadvantages of an otherwise highly politicized bureaucracy where few people are nominated because of their intrinsic competence. However, it is not a solution for the problems of ordinary Bolivians who depend on one of the most inept public sectors of the continent for many of the services that are essential to their well-being. In this sense, the strenuous efforts at civil society participation were cleverly manipulated by the government to satisfy the donor community while minimizing the effect on the underlying political mechanisms of Bolivian politics. It is in this sense that we argue that the sting was taken out of the participation process.

## **2.4. Ownership**

Ownership has become a very fashionable concept within development practice. Donors for instance insist that receiving countries have more “ownership” than in the past over



macroeconomic and other reform programs. Several conditions must apparently be satisfied before the “ownership” label can be awarded. The Government must have the analytical capacity to produce a coherent reform program (rather than it being written by, say, international consultants or World Bank and IMF staff), the locus of initiative must be in the Government (rather than in Washington), key policy makers must be intellectually convinced (rather than sign under duress in order to get access to much needed donor cash), there must be public support from the top political leadership (rather than the President or Prime Minister letting other Cabinet Ministers do all the negotiation, so as to be able to turn their back on the agreement once painful policy decisions have to be faced), and there must be broad-based stakeholder participation. How broad-based participation contributes to ownership has apparently to do with the consensus it is supposed to engender: “The Government, therefore, needs to consult widely and build consensus internally – drawing on democratic structures as appropriate – with other parts of society, including civil society, the private sector and the country’s external partners. The purpose of such consultation is to draw out ideas, knowledge and opinions and to promote consensus on the strategy expressed in the long-term, holistic vision” (World Bank 2001a:5). It is in practice not easy to judge whether ownership in the above sense has been achieved. The President and senior cabinet ministers may profess their full agreement with the macroeconomic and social policies prescribed by the IMF and the World Bank, but how genuine is their conviction?

In the case of Bolivia, one could argue that there is sufficient evidence to answer this question in the positive. In a country that up to the 1970s had been one of the most unstable of the continent four consecutive coalition governments, all of them democratically elected, and in which all the main political parties participated at one time or another, enacted unpopular Bretton Woods policies. This by itself is a remarkable fact. This would not have been possible if there had not been a considerable measure of agreement among the political elite across the major political parties that those policies were in its own interests and that of the country. On the other hand, one cannot dismiss the important influence of extensive and continuous donor presence. The widespread perception in Bolivia is that the liberal macro-economic policies followed since 1985 were prescribed by the World Bank and the IMF. At the same time those policies have been increasingly accepted and internalized by an elite that is not only acutely aware of the importance of being on good terms with the donors, but has been spoon-fed with the same liberal ideas. At any rate, donors think that the Bolivian government owns the macroeconomic reform program<sup>21</sup>. There is also no doubt that Bolivia has the analytical capacity in the top-layer of the technocracy to make macroeconomic assessments and to write coherent plans. The Bolivian PRSP is technically of good quality and is home-produced. In addition, there has been a considerable dose of civil society participation. However, here a problem arises. Broad-based participation does not seem to have produced the intended consensus on the strategy. The idea often put forward by donors, implicitly and explicitly, is that harmony and consensus will result from participation, that synergies between civil society and government are created when they enter into a dialogue. As if vertically opposing interests do not exist within civil society; as if consensus is something that is always achievable. This is not very credible, especially in complex, multi-ethnic societies with deep inequalities and extreme socio-economic gaps. Civil society is diverse, heterogeneous, and contains a wide array of groups defending conflicting interest. As discussed before in the paper, the participation process in Bolivia has brought latent conflicts to the surface and it has created new cleavages. Participation thus can and has brought division, disagreement, and profound opposition. At the same time, it just as well forged new alliances and synergies. In Bolivia, some groups in civil society indeed feel ownership over the PRSP, while others cannot but feel alienated and excluded. Representatives of Jubilee and the National Consultation lamented that they do not find their suggestions in the final draft of the PRSP. Large populations

furthermore do not seem to agree with the fundamental issues of the macro-economic policies. As stated before the underlying macro-economic policies are heavily criticized by labor unions and quite a lot of NGOs. The 2002 elections also show the political support for anti-systemic candidates like Evo Morales who completely reject the neo-liberal policies.

All in all, ownership is a woolly and slippery concept when used in the context of PRSP. It is also a typical case of donor-speak. Donors use aid as a negotiating weapon to bring recipient governments in line with their own evolving views about how the economy should be run and how political affairs should be managed. There is nothing intrinsically wrong with this. Nevertheless, they like to present it as if the recipient government has had a large say, indeed has invented the new strategy all by itself. The concept of ownership serves the purpose of masking rather than revealing who is really in charge of the PRSP agenda<sup>22</sup>. Surely, the real ownership of PRSP, as of previous structural adjustment policies, rests with the donor community, under the intellectual guidance of the World Bank. That the government must internalize those externally imposed reforms is beyond dispute. But to call such a process of national appropriation of externally devised solutions a case of ‘ownership’ is just not very convincing.

A more interesting question in the case of Bolivia is whether participation as a policy instrument is owned by Bolivian society and government. And the answer is definitely yes. Participation in Bolivia is not new, nor is it something the donors recently imposed or forced upon Bolivia. Quite the contrary. Well before the participation conditionality related to PRSP, Bolivia was experimenting with broad participatory processes. The Law of Popular Participation (1994) and the Decentralization Law (1995) represent the most remarkable efforts to date to increase participation on Bolivian soil. In 1997, the Banzer administration organized the Dialogue 1 in order to find a broad consensus around the political agenda that would be implemented during his term of office. And in 2000 as a result from the National Dialogue 2, the Law of the National Dialogue (“Ley del Dialogo Nacional”) is established in order to manage, implement, monitor and evaluate the poverty reduction strategy. In this sense, the participation process as it took place within the framework of PRSP is to a considerable extent homegrown and endogenous. However, each regime has been creative enough to organize the participation in such a way that it would bring out the strong points of the own executive, while keeping the margin of change under control. Banzer invited mostly labor unions to his Dialogue 1, because they were his major civil society allies. His predecessor, the former President Gonzalo Sánchez de Lozada -- one of the architects of the Law of Popular Participation -- decided to turn the focus toward the decentralized structures. Thus, maybe the participation processes are mainly owned by the executive in power at the given moment in time when the process is to occur. In this sense, the PRSP participation process was definitely owned by the Bolivian government. It discussed an organizational format for the participation process with the donors, and then stuck to it and implemented it in spite the protests and criticisms that were voiced by certain civil society sectors. The participation process was all along a government-led process that was inspired by the political structures in place, selected political officials rather than civil society representatives, and followed a political logic of representation which is not necessarily the logic by which civil society functions and organizes itself. As such, most of the CSO representatives we interviewed did not feel they had ownership over the participation process, although the installation of the Mechanism of Social Control, as a concrete result of the process was well received. They did however feel ownership regarding the participatory and consultation processes they conducted alongside or in preparation to the Dialogue.

## 2.5. Effectiveness

The question addressed under this section can be phrased as follows: what would have happened if the donor community had insisted on all the ingredients of the new conditionality save the mandatory participation of civil society? Would the PRSP have been less effective? Put more constructively, did participation make a positive difference?

To provide an answer, we must first look at how the PRSP has been made up and how strong its claims to effectiveness are. The Bolivian PRSP is a combination of a long-term strategy document and a summary public sector spending plan. To give a few examples of the former, the causes of rural and urban poverty are well analyzed, the socio-cultural exclusion of the indigenous population (more than half the population) is portrayed, and the problem of corruption is squarely addressed. The document sets a number of priorities, among them education and health services for the poor, rural economic infrastructure, and reform of the public sector. A large number of surprisingly detailed targets are put forward. In the area of health, for instance the overall aim is an increase in life expectancy at birth from 62.7 year in 2000 to 67.1 years in 2010. This is to be achieved through further targets such as a specified decrease in child mortality, in turn made possible by among others a specified increase in the coverage in the treatment of child pneumonia. In the next step, a number of activities are broadly identified, such as total mileage of new rural roads, or number of rural clinics, which are necessary to achieve the set targets, although it is a mystery how the planners managed to establish such a precise, mathematical relation between broadly defined activities and results. Using the unitary costs of the public investment plan of 2000, the projected activities are then translated into an estimate of the total cost of the PRSP for the period 2001-2006. On the basis of macroeconomic projections of the growth rate of the economy and its components, the budgetary possibilities of the public sector are then estimated. What is not covered by the budget will come from the donors, through HIPC debt relief and other aid already pledged, and any financing gap that is left will have to be covered by the private sector or by additional foreign aid. The Bolivian PRSP does not contain a detailed budget for, say, the first three years, in terms of investments projects or programs that have already been subject to detailed feasibility studies. This part of the plan is to be elaborated later, and in the process, the budget and the targets for the PRSP will be revised in consultation with donors and civil society.

The PRSP thus makes bold claims, but does not explain precisely through which interventions the targets will be met. Lacking the normal building blocks of a plan, i.e. projects and programs, it is difficult to judge whether the myriad of objectives are realistic. Many commentators from the donor community and civil society have for instance questioned whether the economic growth projection underlying the PRSP, of 5% to 5.5% a year, are realistic, although the experts from the World Bank and the IMF staff think it is feasible, if challenging<sup>23</sup>. This is a sensitive point politically, as lower growth leads to a more sluggish demand for unskilled labor and lower wages, and depressed sales of agricultural and informal sector output, and thus directly affects the poor<sup>24</sup>. To make matters worse, the government would be hampered in its efforts to increase poverty-related public spending, unless it were to make sacrifices elsewhere in the budget. To give an example, more primary education for the rural and urban underprivileged can be paid out of higher tax proceeds from economic growth, or, if that fails, by cutting back on subsidies to the state universities. Most observers realize that Bolivia will face such stark trade-offs in the implementation of its PRSP, but these are generally avoided in the document itself. It frontloads the promises, but is short on identifying the political hard choices that will have to be made. This is to some extent inevitable given the preliminary nature of the data available to the authors of the

document, but it is also an indication of the cleverness of the government of offering the donor community what it wanted while shying away from hard commitments. The Joint Staff Assessment by the World Bank and the IMF, while being on the whole very positive, makes a similar point when it criticizes the PRSP for being “weak on identifying priorities among the long list of actions proposed” and laments that the action plan “does not present policy plans for the initial stages of implementation of the PRSP in the areas of public sector administration and good governance, although these areas have been identified as key for the success of the strategy” (IMF and IDA 2001:10).

Returning to our question, what influence did the participation process have on the PRSP? Given the intensive and widely acclaimed participation of civil society, the somewhat surprising answer is that such influence has been relatively muted. The major input from civil society has come through the social forum. Importantly, this led to the earmarking of the HIPC II resources for decentralization to the municipalities, with associated allocation procedures and controls. HIPC II funds, consisting of freed budgetary resources the central government no longer has to set aside for international debt service payments, amount to US\$ 428 in the planning period 2001-2006. This is not a negligible sum of money in a poor country like Bolivia, and it will constitute a considerable increase of the financial resources to the municipalities, but it also constitutes only 6% of total estimated public sector spending on the PRSP during the same period. As argued before, by offering civil society a major say in the allocation of the HIPC II funds, the government diverted attention away from the important strategic choices that are embedded in the rest of the document. Indeed, apart from the transfers to the municipalities, most civil society actors we spoke to protested that their inputs had not led to any substantive impact on the final PRSP document. Official actors did not endorse this view, and argued that the participation process had been an important inspiration to them, for instance in grasping the prominence to poor farmers of supportive measures to increase their productivity. They also correctly pointed out that civil society would be involved in the monitoring of the PRSP. Nevertheless, they concurred that the major impact of the participation process had been in influencing the rules for allocating HIPC II resources.

Zooming in on this one area where the influence of civil society is beyond controversy, the question whether the increased financial autonomy of the municipalities and the rules established for their allocation will lead to better outcomes for the poor depends on whether the municipalities will make the right spending decisions and propose the right investment projects. That will partly depend on their technical capacity, which is rated very low by all experts, and partly on their willingness to propose projects benefiting the poor. The latter is mainly a political issue. Whether the majority of rural poor will be able to press their claims through, is highly conjectural, as discussed elsewhere in the paper. There are some helpful features, in particular the new allocation rule favoring poorer municipalities, and the governments’ promise to submit a law to parliament abolishing the monopoly of the political parties in fielding candidates in local elections. Nevertheless, there is no telling in advance whether this will bring about increased effectiveness.

It could even be claimed that in some respects there has been an overdose of participation. There are two reasons for this. First, it might have been better for technocrats to have consulted directly with a representative sample of the poor rather than to filter information about the poor from the discourse of local elected officials, only a fraction of whom truly represent the poor. Somewhat less participation and somewhat more technocratic input might have been a good idea. Secondly, it remains to be seen whether spending by municipalities, even if directed towards such things as

the provision of health and education services or rural roads and irrigation, constitute sustainable solutions to rural poverty. What is almost completely lacking in the PRSP document is an acknowledgement of the importance of efficiency, the idea that public investment spending must have an adequate economic return, from the point of view of society at large. And efficiency, in the Bolivian case, is closely intertwined with geography<sup>25</sup>. Many of the rural poor in Bolivia live in remote, arid areas, in small, isolated communities<sup>26</sup>. Bringing social services to them will certainly relieve poverty in the short run, but also slow down migration. Much of those communities are just not economically viable in the longer run. There are enormous regional differences in Bolivia in living standards that have to do with geography. Spending on rural roads that will carry very little traffic is investment with a low rate of return, that are at the expense of high return investment elsewhere that have a greater potential of lifting a larger proportion of the population out of poverty. To put it in a different form: by allocating the resources to the communities on the basis of present population and level of poverty, the implicit assumption seems to be that the present distribution of the population is optimal from an economic perspective. If this is an incorrect assumption, as is generally acknowledged, then it would have been better to have substituted some technocratic analysis for local participation. For once resources are decentralized to a municipality, it becomes difficult to say that it cannot use them because there are no viable investment project it puts forward<sup>27</sup>.

### **3. Conclusion**

PRSP conditionality is rooted in the idea that strong civil societies will push democratic and development processes forward in a pro-poor direction. Participation is thought crucial because it is supposed to increase the strength of civil society, enhance political performance and accountability, broaden ownership and enhance effectiveness of the poverty reduction strategies.

Of course donors are right to be worried about the effectiveness of the aid they give. They have the right to ask for guarantees, and they are right to identify governance, in the political sense of the word, as a major impediment to development<sup>28</sup>. They are also right that accountability, through the ballot box, but also in a myriad of other ways that require a strong civil society, is necessary to boost governance. In this sense, they have come a long way in their macro-conditionality: from purely technical-macroeconomic to institutional and political. So in this sense, civil society participation is undoubtedly a good idea, if it comes at the right moment and if administered in the right proportions. However, the eagerness with which donors have chosen to tackle part of the governance problems through civil society participation leaves little or no space for the ideas put forward by scholars like Leftwich and Huntington. Leftwich (2000:17) and Huntington (1968) caution about strong civil societies. Both seem to agree that the strengthening of political institutions and socio-economic restructuring should precede the involvement of civil society groups. Leftwich (2000:163) goes so far as to argue that the weakening of civil society, rather than its strengthening, may be the necessary condition for the emergence and consolidation of democracy and development. The direction of causality between democracy and development and the function of civil society in this relationship remain controversial issues in political science, but donors do not have such hesitations. It is also not clear how a 'strong civil society' in a development context must be understood. Are lots of organizations and associations the indicator of strong civil societies? But what does this say about society at large? That it is organized, active, participative and committed to these civil society organizations and their points of view? The recent boom in organizations and associations in third world countries is not unrelated to the international funding opportunities the donor community has made available. A lot of civil society organizations (especially NGOs) are donor-

bred and fed, hence the strength of organized civil society may be to some extent artificial and not related to what lives amongst the people. As such, civil society organizations might be as far away from the people as the political institutions. And to the extent that organized civil society is the emanation of endogenous associational forces, civil society may still be part of the problem, rather than the solution. Recent literature points to the facts that clientelism and patronage are not necessarily confined to the political space. Civil society might well produce and reproduce these uncivic mechanisms (Vilas 1996; Howell & Pearce 2000:77; Woolcock 1998; Putnam 1993). So, although some external support (financial, moral, technical assistance, political) to civil society organizations by donors is a nice idea, maybe political institutions should be granted more, and more direct attention.

Bolivia is undoubtedly a good country to experiment with civil society participation. There are a lot of civil society organizations, and the political system in place is open to voice. Bolivia also suffers from serious weaknesses in governance, as indicated by high scores on corruption and clientelism, which may well have contributed to Bolivia's enigmatically poor performance since 1985. And to be sure, there have been considerable successes in fostering participation and in producing institutional outputs. Regarding the participation, there has been a National Dialogue that was competently led by a Technical Secretariat. Participants in the process managed to influence the PRSP. Parts of civil society have been strengthened. Regarding institutional outputs, the PRSP produced the Law of National Dialogue and a National Mechanism for Social Control. HIPC resources will be allocated to the municipalities and are exclusively destined to combat poverty. At the political level there was the decision to break the monopoly of political parties to field candidates for election. Without PRSP and donor pressure a lot of these outcomes would not have occurred. Nevertheless, the results are much less impressive than the official donor discourse would let us believe.

The basic aim of listening to the poor was only very partially achieved. The government mainly listened to local people, office holders through the political institutions of the Law of Popular Participation. Observers seem to agree that it is very doubtful that the poor were well represented in this way. Certain civil society organizations were involved and played a role, but they only represented a part of civil society at large, and this has alienated some other parts of civil society, like the so-called social movements and the indigenous communities. Put more generally, there has been inadequate participation by all the relevant stakeholders. Large absentees were the poor, civil society organizations out of favor with the government, trade unions, women's groups, but also extremely important institutions for democracy, like parliament. At the same time, the impact of participation remained limited to social issues. The Bolivian government successfully avoided being drawn into discussions about structural reforms, macro-economic policies and serious political reforms. The problem of limited participation and limited agendas in the PRSP is not confined to the Bolivian case alone. Such problems are recurring in most countries where the participation processes are taking place. The World Bank and IMF however accepted these countries had satisfied the PRSP conditionality, in spite of the shortcomings of the participation process. This is partly due to the donors hesitating to be too much involved in internal politics, but also due to the fact that they have not set out clear criteria to evaluate and distinguish good participatory processes from poor participatory processes.

Outside the PRSP, the Bolivian government was allowed to treat civil society much less considerately. The water and coca conflicts illustrate the harshness and ruthlessness with which government reacted to social protests. We do not argue that PRSP participation has sparked the

conflicts over water and coca, but we find it striking that donors who find participation so important turned a blind eye to what was happening outside the PRSP participation show.

Regarding ownership, the reality of Bolivia and elsewhere is that the donor community, swayed by the idea that government-ownership of both the PRSP and the participation process is utterly important, gives governments a free hand in setting up a participation format. Bolivian government organized the process in such a way that it turned the heat away from fundamental political issues and macro-economic frameworks. Government ownership therefore impeded ownership in the broadest and most consensual sense of the concept. Broad based ownership over the PRSP has not been achieved in Bolivia. The civil society organizations that participated were and remain largely opposed to the strategy. In order to ensure the goals of broader country ownership and increased government accountability, some NGOs suggested the need for clear and strict guidelines or standards for participation (Bank-Fund Staff 2002:12).

In our view the effectiveness of the PRSP is not warranted. The absence of geographical variables in assessing economic sustainability is difficult to justify in a country like Bolivia. The government furthermore made too optimistic growth projections, and, the PRSP does not set out clear priorities. So, when the going gets tough, there is no knowing how the government is going to heed its promises. It will have to make hard political choices and there is no telling how civil society will react to those choices. But much of PRSP was not touched by the participation process. Where it did, it is far from sure that effectiveness was enhanced. The Bolivia case illustrates that participation is to not always be preferred when it comes to matters of poverty. Given the need for pro-poor outcomes it is both necessary and legitimate to steer and manipulate participation to some extent. Two important resources legitimize the manipulation of the process in favor of the result (which in this case is poverty reduction). The first resource is technical and specialized knowledge. The fundamental question is whether all actors have the same weight when highly technical matters are being discussed? We argue that technical expertise should be used to make sure that the voices of the poor can be heard. This can have to go at the expense of open participation where the not so poor usually dominate. The second resource is moral. Special weight should be given to those issues that may not be backed by large groups (like giving voice to minorities or giving special consideration to voiceless, unorganized groups like the poor, the indigenous sectors, but also environment, gender). The conclusion that follows from this line of thought is that those who participate may be different from those who are consulted and heard. Different participatory schemes related to the different stakeholders should therefore be drawn out beforehand and, for effectiveness' sake, in function of the desired outcome.

As the PRSP participation processes may well become the standard for most low-income, aid-dependent countries, it seems important to recognize that these HIPC countries are very different one from the other. The donor community ought to take this diversity into account when promoting civil society participation.

We suggest that donors must contextualize and formulate country-specific goals. The contextualization of country-specific goals will help to get a grip on the complex and heterogeneous character of civil society and the diverging relations the different groups can have with government and with other CSOs. The harmony and synergy model of society-government must be abandoned in order to accept and come to terms with conflict and diverging interests. The insistence on broad based participation by 'all' listed civil society actors is unrealistic and too demanding, yet at the same time this casual listing gives governments too much latitude in picking participants much to their convenience. As such, this open listing of participants as suggested by the World Bank may even be undesirable. The questions that according to Van

Rooy (1998:199) have to be answered in a country-specific sense are: who matters in social and political change? How is power; political and economic, distributed among the governed and the governors? What elements are amenable to outside intervention? What intervention is legitimate and to whom? Based on the country-specific answers to these questions, adapted participation schemes can be organized, it will become clear which parts of civil society should be strengthened, and to what extent participation is needed to achieve the desired outcome.

Furthermore, the existing relation between government and parts of civil society in a given setting should be taken as a reference point, in order to project realistic goals that enforce wider and deeper participation. It might thus be that government talking with civil society should in some cases be treated as an aim to be met as part of the PRS, rather than as a precondition to commencing work on the PRSP (McGee & Norton 2001:25).

Without a clearly established legal framework in which participation can take place, it is likely that false expectations may grow, both on the side of government and civil society, hence frustration may mark the process and its aftermath. The confusions regarding where the right to intervene, influence and dictate begins and where it ends must be cleared out and legally backed up so as to protect both government and civil society actors. Drawing actors into negotiations without setting out rights and boundaries is bound to lead to frustration. Giving the government freedom to pull the strings, participation risks becoming an instrument to neutralize and control dissident voices, without it leading to measures that correct or sanction power abuses. Donors should thus pressure for more protection and rule of law, while supporting the a-priori outlining of the participatory framework, the division of tasks and agreements on how binding the results of a participation process will be. Once again, donors should be less demanding, yet at the same time more demanding by rendering explicit specific goals for specific countries.

All these points point to a dilemma: when should donors take the initiative and lead recipient countries, and when should they accept homegrown solutions and follow? As Lancaster (1999:501) points out, this question goes to the heart of the aid relationship, and is not as simple as the concept of ownership suggests. The World Bank's venturing into these new participative areas is in a way ironic as it statutes prevent it from entering into 'political' lines of action (Doornbos 2001:98). It is engaging in political conditionality by stealth, obfuscating crucial issues in the process. Its linking of democracy and good governance to civil society participation is much more complex and contradictory than the participative discourse would suggest.



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**List of interviewed people** (interviews conducted in March 2002)

Alberto Leytón, Vice-Minister of Governmental Co-ordination  
Ronald McLean, former Minister of Sustainable Development  
Juan Carlos Requeña, Consultant, General Co-ordinator of the Bolivian PRSP  
Ivan Arias, Vice-Minister of Popular Participation  
Marco Zapata, Ramiro Cabera, Ministry of Sustainable Development  
Carlos Carafa, COSUDE  
Raul Mendoza, UDAPE

Juan Carlos Nuñez, Irene Tokarsky, Katherine Murillo, Caritas Catolica (Jubilee 2000)  
Hugo Fernandez, Co-ordinator UNITAS  
Coco Pinelo, Jose Luis Fernandez, Comité de Enlace (Consulta Nacional)  
Vladimir Sanchez, AIPE  
Carlos Villegas, (ex-CEDLA) CIDES-UMSA

## Endnotes

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<sup>1</sup> Much useful information is available from the PRSP website of the World Bank: <http://poverty.worldbank.org/prsp/>

<sup>2</sup> The concepts participation and consultation are used arbitrarily in World Bank documents. Both concepts are nevertheless quite different. Consultation is not binding, hence Government can choose whether or not certain contributions from civil society are to be introduced in the final document. Participation goes one step further in that Government allows civil society to take part in decision-making processes. In the Bolivian case, the official results of the process were introduced in the final draft of the PRSP. We will therefore use the concept of participation throughout the paper, although some of the CSOs we interviewed insisted that because of the limited scope of the topics open for participation, the process could at best be called a consultation.

<sup>3</sup> World Bank (1998).

<sup>4</sup> In this paper we focus on the Bolivian case. The broader research project we are working on is a comparative research in which the Bolivian experience will be compared with Nicaragua and Rwanda. Bolivia was one of the first countries to go through the PRSP-process. The accumulated experience at the level of actors, the insights of and analyses made by the WB-staff might highlight in retrospect important aspects of the participation process. Bolivia is, compared to Nicaragua and Rwanda, situated at the 'good track record' continuum. Studying the Bolivian case is therefore instrumental as it will help us calibrate the scale on which PRSP ought to be judged. Contrasting Nicaragua and Rwanda with Bolivia should be more realistic than placing them in front of an ideal (the theoretical assumptions mentioned before) that might be unrealistic from the outset

<sup>5</sup> Foreign aid stood at a massive two thirds of central government expenditures during the second half of the 1980s, one half during the first half of the 1990s, and one-third during the second half of the 1990s (World Bank 2002b). International aid flows have sharply dropped in importance since the beginning of macroeconomic reform, but donor influence has not waned in the same proportion. In fact donors have in recent years increased their pressure on the Government through high level consultations in the context of the Comprehensive Development Framework (Carafa 2000)

<sup>6</sup> Banzer who had ruled Bolivia as a military dictator during the 1970s was elected with only 23% of the votes. Setting up a consultation process involving national CSOs and social movements may well have been inspired by a desire to increase the legitimacy of his administration.

<sup>7</sup> The Law of Popular Participation and the Decentralization law granted far stretching autonomy to the level of municipalities. The explicit goals of the laws was to create a more just distribution and better administration of public resources, to promote economic growth and development especially in the rural areas, and to advance political participation in general and the participation of local organizations in decision-making processes in particular (Ejdesgaard Jeppesen 2002 :31). In no other country had the state gone so far in recognizing local organizations, giving them a place and role within the political structures. The local organizations that are subject of the LPP are the peasant' communities and the indigenous peoples who are mainly located in the rural areas, and the neighborhood committees that are situated in the urban areas. These were all recognized as OTBs (Organisaciones Territoriales de Base). The link between the local executive council and the OTBs is the Vigilance Committee (Comité de Vigilancia). This committee consists of representatives of the OTBs and its specific goal is to function as an advisory and control organism to watch over the activities of the Mayor and his Council.

<sup>8</sup> Due to space limitations this paper will not give account of the numerous initiatives undertaken by CSO alongside the National Dialogue. Instead, we focus on the National Dialogue and the interaction with these parallel initiatives.

<sup>9</sup> only one department did not agree with the idea that the use of the resources should be monitored and evaluated by a separate institution at the national and departmental level.

<sup>10</sup> This latter measure however requires a constitutional reform. During the negotiations leading up to the formation of the new Government that is to take office in August 2002 the main contending parties agreed that the constitution would indeed be reviewed to this effect.

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<sup>11</sup> The fact that the Church has gained an important position regarding the institutionalization of the mechanism of social control is not seen as entirely positive. Certain CSOs prefer to maintain their autonomy and they do not wish to form an alliance with a religious institution. Some regard the Church as too conservative, too paternalist, others believe that the Church stands too close to the State to be credible. From a pluralistic point of view it doesn't seem healthy to give the Church such an important weight in a social control mechanism. The Catholic Church will call for and promote full participation and will give permanent assistance to the National Mechanism of Social Control (art. 29, Law National Dialogue).

<sup>12</sup> See: [www.latinobarometro.org](http://www.latinobarometro.org)

<sup>13</sup> Bolivians tend to place more trust in the armed forces as 29% expressed trust in the military. In Latin America in general, it seems that about 30% of the citizens trust the President, 34% trusts the judicial system and only 19% trusts the political parties.

<sup>14</sup> These data were collected in 2001 by "Variables y Tendencias SRL, Consultores Asociados" in co-operation with Caritas Bolivia. We express our profound gratitude to Juan Carlos Nuñez who granted us permission to use these data.

<sup>15</sup> The ties between government and civil society are as varied as the groups themselves. Bolivia has a relatively numerous, diverse and forceful civil society. Deep social cleavages, inequality and the struggle against dictatorship have given rise to vibrant social movements and large popular protests. A quite large trade union movement mainly bolstered Bolivian social movements. Due to the structural adjustment plans however, most of the unions (peasants and workers) have been left decimated and internally divided. Although their capacity to mobilize people into the streets still is very impressive, the internal conflicts impair them to effectively co-ordinate and pursue common agendas in order to influence politics. Quite different are the large intermediate NGOs. Some of these organizations mainly work in advocacy and lobbying. Others are federations, representing the interests of member-organizations. These organizations often count with a staff that is highly educated, very professional and with impressive technocratic skills.

<sup>16</sup> see the website of the World Bank where this sourcebook is available.

<sup>17</sup> Kaufmann et al. (2001:41) argue that "major transparency-related reforms are needed at the local level, where substantial weaknesses persist, and where many municipalities and local agencies are rife with corruption"

<sup>18</sup> The poll only includes persons from large or organized business – none from micro-enterprises.

<sup>19</sup> It has been estimated that the coca eradication campaign has led to a cumulative drop in economic output between 1997 and 2000 of 3% of GDP. In addition, for every dollar of direct drop in output there was an estimated extra dollar drop in related economic activity. The direct plus indirect effects on employment have been estimated at 59,000 jobs (UDAPE 2001).

<sup>20</sup> In a paper produced by the German development co-operation the following critical comments appeared: "The current flash reduction of surplus coca to almost zero, without that being accompanied by a necessary process of alternative development, may be equivalent to a political time-bomb, especially since Bolivia has been undergoing a severe economic and social crisis for years. Under these circumstances, drug control by means of repressive measures and military presence might seem diametrically opposed to the actual principles of alternative and human development" (GTZ 2001, 25). The Americans on the other hand warmly applauded the policy, whereas the World Bank declared that it was not supporting this part of the Government strategy because it did not correspond to the Bank's "comparative advantage" (World Bank, 2001c:8). The population, which was denied participation, voiced its protest through the ballot box: Evo Morales, the leader of the coca growers, came a resounding second in the presidential elections of 2002, with just a few percentage points less than the Gonzales Sanchez de Lozado.

<sup>21</sup> In a 2001 assessment of 46 countries by the World Bank, only Ghana and Mauritania got better total scores on ownership than Bolivia. See World Bank (2001b: annex)

<sup>22</sup> The World Bank labeling negotiations with recipient countries "policy dialogues", and northern NGOs describing their funding relationship with southern NGOs as being based on "equal partnership" are other instances of this rich but misleading vocabulary.

<sup>23</sup> Even as it is, the planning exercise ends up with a financing gap of US\$0.9 billion whose funding has not been secured.

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<sup>24</sup> in their projections the authors of the PRSP document use a growth-poverty elasticity of  $-0.77$  for urban areas and  $-0.52$  for rural areas. This means that an increase of 1% in the economic growth rate leads to a reduction in the prevalence of urban and rural poverty of 0.77% and 0.52% respectively.

<sup>25</sup> Bolivia is a landlocked country with difficult terrain and very poor infrastructure. Low population density (7 people per square km) further reduces economic opportunities. Bolivia cannot escape its geographical limitations, but it can improve long-term growth prospects by more careful planning of public infrastructure and by steering the chaotic growth of agglomerations in the corridor La Paz-Cochabamba - Santa Cruz. On the importance of geography see Gallup et al. (1999).

<sup>26</sup> Many of the rural poor live in harsh conditions on the inhospitable, arid high plateau (altiplano) at 3,000 meters or more above sea level

<sup>27</sup> Strictly speaking this is not excluded. Investment spending will have to be submitted to a special Fund (Fondo nacional de inversion productiva y social or FPS) that will have the capacity to submit all proposals to a rigorous scrutiny of benefits and costs. It is however highly unlikely that fully-fledged cost-benefit analysis will be performed for most projects. This is not to suggest that FPS will not have the capacity to make such analysis. It is rather that there will be tremendous political pressure to accept projects for which the data are missing, or where a low economic profitability is overruled in favor of short-term social benefits.

<sup>28</sup> The concept “governance” is rather vague, meaning different things to different people. The vagueness has the advantage, for donors and for recipient countries, to allow several interpretations that may suit the different parties.