

Evaluation of Poverty Reduction  
Strategies in Latin America – 2006  
Executive Summary

# Bolivia: Governing with the Social Movements





# Preface

The Poverty Reduction Strategy (PRS) process was designed as a response to growing concerns about high and seemingly permanent levels of poverty in many development countries. The process seeks to achieve sustained and significant poverty reduction with the implementation of country-specific medium-term poverty reduction plans, each of which is created through a national participatory process. Donors are expected to support national poverty reduction plans with resources and debt relief.

The Swedish International Development Cooperation Agency (Sida) contracted the Institute of Social Studies (ISS) to monitor and evaluate this process in three Latin American countries – Bolivia, Honduras, and Nicaragua – between 2003 and 2007. The reports produced by ISS are independent assessments that do not necessarily represent the views of Sida staff.

Each year, the ISS team (which includes both ISS staff members and local consultants) prepares three country reports, a regional report that compares experiences in the three countries, and a thematic report that looks in depth at one particular topic. The analysis in the reports is based on a combination of interviews with stakeholders at the national and sub-national level and analysis of secondary sources and data.

The 2006 country and regional reports provide an update of the status of the PRS process and examine whether the process has strengthened downward accountability systems. The 2006 thematic report is on the subject of gender and the PRS process. In past years, the reports have addressed participatory processes, pro-poor growth, decentralization, results-oriented budgeting, local economic development, and cost-effectiveness in primary education spending. Aid effectiveness and rural development will be the subject of the 2007 reports. All reports can be downloaded at [www.iss.nl/prsp](http://www.iss.nl/prsp).

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Executive Summary of Country Report – Bolivia 2006

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The Views and interpretations expressed in this report are the author's and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

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# 1. Introduction

The 2006 Evaluation of the Poverty Reduction Strategy (PRS) Process in Bolivia addresses the following main questions:

- How has the political, economic and social context evolved in 2005–2006?
- Has the content of the country's poverty reduction policies changed?
- What is the status of the PRS process?
- What is the status of donor coordination and aid modalities?
- What has changed in the structure of systems of downward accountability (accountability of government to the public and civil society) at the national and subnational level in the last 5 years? Has the PRS process played a role in these changes?

In general, we broadly cover the period from the fourth quarter of 2005 to the third quarter of 2006, but for the trends we look at a longer period.

The 2006 Report pays special attention to the topic of downward accountability and especially the downward accountability with respect to poverty reduction policies. It examines whether the government is accountable to the public for achieving poverty reduction, and whether the public and its civil society representatives hold government accountable for results. This special focus was chosen for this report because it was expected that the PRS process would institutionalize the commitment to fight poverty and to enhance government capacity to meet this commitment. Strengthening accountability systems is one example of institutional change that could help achieve this goal.

The organization of this executive summary is as follows. We first describe the political, economic and social context of the country. Subsequently, we discuss the poverty-reduction policies and the status of the PRS process. Then we deal with changes in donor-government relations, poverty reduction and finally with downward accountability.

## 2. Political, Economic and Social Context

2005 was a politically and socially instable year in Bolivia. The instability affected public sector management, delaying decisions and postponing the resolution of important issues. The magnitude of these problems was hidden by the strong performance of the economy, driven by exports. The victory of MAS in the 2005 general elections brought to power the first President of indigenous origin in Bolivia's history. President Morales' proposal to radically change the political, economic and social structures of the country was supported by indigenous groups and social movements, thus shifting political power towards representatives of the poor.

The results of national and departmental elections have produced a new distribution and constellation of political power in the country. At the national level, the governing party dominates, governing without alliances with other political parties. The opposition parties are represented in Congress, but in practice play a limited role as the political opposition. At the departmental level, the *Prefectos* and Civil Committees of the east and south (the regions of the country with the most resources) have become the political opposition to the national government and are trying to win departmental autonomy in the new Constitution, which is currently under construction. At the local level, political powers are more balanced between the governing parties and the opposition.

The first signals from President Morales' government have been ambiguous. On the one hand, the government's discourse assigns a dominant role to the State in the economy and the society, but in practice the government has abandoned some existing policies and resources that were designed to increase the public administrative capacity. Adding to this the lack of confidence in and rejection of professionals with experience in public sector management in previous governments, it is clear that the efficiency of government action will be limited, at least in the short term until capacity of new actors can be built.

The government gave roles in the Executive branch to representatives of the social organizations that led the fight against the policies of previous governments. These new actors now have the responsibility of designing and implementing policies and actions to benefit the poor. The challenge for these organizations will be moving from criticism towards proposals, implementing the proposals efficiently, and searching for a national vision rather than a sectoral or *gremial* vision.

The presentation of a new National Development Plan (PND) in June 2006 has given a new impetus to public management, by providing the formal conceptual basis for the changes to which the government is committed. The PND proposes to centralize planning power in a “true planning system”, with the goal of channelling the economic benefits from the exploitation of natural resources to the employment-generating productive sector. The plan also calls for targeting poverty reduction efforts to the poorest communities and municipalities in the country, using national resources to build infrastructure and support production in those areas. Nonetheless, the plan is still not developed enough to turn these ideas into operational proposals. It needs to be accompanied by sector-specific, medium-term operational plans that could structure the use of national and international resources.

The “Nationalization of Hydrocarbons” Decree (May 2006) has confirmed the political orientation of the government and signalled the beginning of the government’s project of change. This measure has taken a long time to be operationalized. Thanks to the Hydrocarbons Law, resources have started to flow to the State. However, the YPFB (Bolivian Petroleum State Company) has not yet been completely organized to prepare it to take on the responsibilities that it has been assigned. Fixing this problem is necessary if the gas and petroleum sector is going to lead the financing of development in the country, so as to gradually reduce dependence on foreign aid, as is envisioned in the PND.

The Constitutional Assembly was inaugurated in August 2006 and has generated huge expectations among the population that things will improve. Nonetheless, the Constitutional Assembly has not managed to concentrate on the discussion of important themes and has started to lose credibility in the eyes of the population. Hopefully in the few months left before the mandate of the participants in the Constitutional Assembly expires in August 2007, the delegates will return to the discussion of central themes and reach a consensus on a development vision that can unite all Bolivians.

At the end of 2006, the economy was stable and growing, with the main economic indicators at historically high levels and a large expansion of public resources that is expected to fund a large expansion of pro-poor public expenditure in 2007. The central government, departments, and municipalities will all need to collaborate to make this expansion of pro-poor expenditure possible; in 2006, this coordination was not achieved. With the current fiscal situation, the elaboration of some PND programmes, and better coordination between levels of government in the targeting of benefits to the poor, internal demand could replace external demand as the principle source of economic growth in 2007.

# 3. Poverty Reduction Policies and the PRS Process

The PND proposes a “major change in poverty reduction policies or in the social focus” that has been used to date. The plan calls for not only providing public goods and services, but also including the poor in State interventions to increase incomes. These interventions denominated “Communities in Actions” will initially be focused on the poorest communities and municipalities, but must still be designed before they can become operational. To date, most of the government’s actions in the area of poverty reduction have actually been continuations of existing sectoral programmes, with the exception of more attention to literacy and the delivery of a cash subsidy to encourage school attendance. This continuity with the past may change though, when the government starts to implement its own plans and to review current programmes.

The PRS process has had a short life in Bolivia. It was neither able to survive the political and social instability that has been the rule since 2001, nor to reach the objectives set out for it by the international community. The process was gradually abandoned by different actors, and most recently by the donor community. The PRS process and the original PRSP did not produce new poverty reduction policies. Rather they organized in a formal framework the programmes and policies in place in 2000. Many of these policies are still in place and are being implemented even though the PRS is no longer the framework for government action.

One feature of the PRS process in Bolivia was the requirement to organize dialogue processes. For various reasons, these dialogues are unlikely to be repeated, at least in the formats used in the past. There was no prior consultation process of that kind in the design of the PND, but surely in the future there will be discussions about how to submit public policies to public discussion. One cannot deny, however, that the PRS process, especially through the second dialogue – National Dialogue for a Productive Bolivia – has influenced the content of the PND.

Several months after its presentation, the proposals in the PND are still taking shape and are being developed in more detail. The PND answers the question “What should be done”, but presents few details about “How are we going to do it?”. The development of specific proposals to answer the latter question, and defining the roles different actors will play in implementation, should be the principle preoccupation of the government. These efforts should include establishing a baseline against which the effectiveness of the PND can be evaluated

At the moment, the “new model” proposed in the PND includes more participation of the State in the economy, recovering “strategic sectors” and changing the distribution of economic benefits. To achieve this and meet the expectations that have been raised, efficient public management will be needed at all levels of government. The strengthening of management capacities should thus be a priority of government in the coming months.

## 4. Financing and Donor Coordination

In addition to gradually increasing internally-generated public resources, funds provided by the donor community will continue to be important in the coming years. External resources obtained should be of increasing quality (whether as donations or concessional credits), more flexible, and more oriented towards the priorities of the government. Early on, the current government announced that it was against budget support and programmatic support, but later in mid 2006 with more information it changed its position. Nonetheless, the strong fiscal situation in 2006 has limited the governments' interest in pursuing this. The donor community would like to restart the dialogue with the government and provide assistance when conditions permit. The government should be more efficient in mobilizing external resources in the future at the same time as improving disbursement profiles of existing resources and taking better advantage of the willingness of donors to contribute with new resources the government plans.

The government has tried to reestablish dialogue and coordination with the donors in the sector roundtables, but these efforts have not yet been fruitful for various reasons. On the one hand, the government has decided to make presentations in donor forums (meetings of sector roundtables) where it has not been possible to discuss these proposals in detail. On the other hand, donors have been under pressure to spend resources that were already committed, and thus have prioritized their own actions over working in consort with other donors. For these reasons, there have not been significant advances during 2006 in coordination, harmonization, or alignment.

# 5. Poverty Reduction

The monitoring of poverty indicators in Bolivia is hampered by the lack of systematic and up-to-date information. Until recently, the annual MDG progress reports had provided limited information on these indicators and, as such, helped monitor trends. The fourth progress report (presented in late 2006) adopts the MDGs only as a point of reference, because the PND has broader and more ambitious goals. The report argues that the more aggressive PND goals will help eliminate social exclusion and substantially reduce socio-economic inequality in the country and thus change the projected trends towards achieving the MDGs, suggesting that the country will meet and even surpass these goals in 2015. Nonetheless, the government has still not shown in detail how it will adjust public policy to produce this progress, nor has it decided which government institutions will be responsible for achieving the goals. Developing serious efforts to improve information about poverty indicators, developing the capacity to collect and work with these data, and defining responsibility for implementation and monitoring will be among the government's most important short term challenges.

# 6. Downward Accountability

In our analysis of downward accountability in Bolivia, we distinguish between three different phases in the operation of a downward accountability system:

- *Transparency and Reporting* is broadly about providing information to the public. Government officials make data available, provide information about decision-making processes and policy objectives, and report on results obtained and resources used.
- *Action* refers to the response of the public (represented by individuals, civil society organizations, or social movements) to the information the government provides. Action could take many forms, such as providing comments, asking questions, denouncing shortfalls, presenting alternative analyses, or demanding change. In Bolivia, one important type of “action” is social control, or *control social*.
- *Response* is when government officials respond to the “action” by explaining decisions or actions, changing policies, or improving procedures.

The three phases are mutually reinforcing. Transparency and reporting facilitate public action, and the objective of public action is to generate a response from the government. Weaknesses in any one of the three phases weaken the entire system.

## Legal Framework

In Bolivia, social control is institutionalized in a series of laws. There are also traditional forms of social control that are currently not recognized by the country’s legal framework. The legal framework of social control – and of downward accountability in general – includes the SAFCO Law,<sup>1</sup> the Popular Participation Law, the Administrative Decentralization Law, the Municipalities Law, and the National Dialogue Law. These laws help establish, and could help improve social control and downward accountability more generally. It is important to recognize, however, that the capacity and will to implement these laws is still lacking to some degree.

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<sup>1</sup> SAFCO stands for Sistema de Administración Financiera y Control, or System of Financial Administration and Control.

## Downward Accountability at the National Level

Bolivia does not have a complete downward accountability system at the national level, but some elements of a system do exist (e.g. information and communication systems, websites, and some debate mechanisms). The most important actors involved in these activities are: in the Executive, the Presidency, the Ministry of Planning, UDAPE (Unidad de Análisis de Políticas Económicas y Sociales, or Economic and Social Policy Analysis Unit) and the Treasury Ministry; the National Congress; the National Comptroller General; and the National Social Control Mechanism (MNCS), which is a non-governmental actor with a legally recognized role.

There have been some advances recently in the national downward accountability system, but a number of significant holes in the system persist. In relation to *transparency*, a Law of Access to Public Information has been drafted. The international donor community has supported a number of efforts to improve the quality of administrative, social, and financial data produced by the public sector, a practice which should continue. Information is increasingly available on the internet, though it is not always regularly updated. It is important to find ways to make this information available to those who lack internet access. Finally, the dialogues organized in the context of the PRS process provided opportunities to make government decision-making about policies more transparent, but the dialogues did not have any direct or sustainable effect on downward accountability systems. Hopefully the lessons of the past dialogues will be taken into account when participatory processes are planned in the future. It may be necessary to modify the National Dialogue Law to permit a different type of participatory process, without the obligation to repeat the process every three years.

Advances with respect to *reporting* are limited by the lack of improvement in monitoring and evaluation systems. There is not much recent information (based on surveys) about poverty levels, and as a result it is difficult for authorities to report on their progress towards achieving poverty reduction goals. The national bodies responsible for auditing and control of public management do not share information readily with the public, though this situation is improving somewhat as the Congress and the National Comptroller General become more open to this idea. The evaluation of the Morales government by social and union actors was an interesting exercise, and useful for the government. However, we suggest that this exercise could be more effective if organizations that are not aligned with the government are invited to participate. The self-evaluation of the government, and subsequent publication of the results of this exercise in the press, is also a valuable exercise that is worth repeating.

In terms of *action* and *response*, the National Social Control Mechanism (MNCS) – civil society body which was created through the PRSP process to monitor the implementation of the PRSP – has not functioned well and has lost credibility. The problems are due in part to the lack of attention paid to the monitoring of public policies and also to the politicization of the MNCS.

## Downward Accountability at the Local Level

It is important to make a distinction between the situation at the departmental and municipal levels. In the departments, the main actors involved in a downward accountability system are the *Prefectura*, the Departmental Council, and the non-governmental Departmental Social Control Mechanism (MDCS). In practice, the Departmental Council

does not provide a check on the action of the *Prefectura*. In most Departments, the Departmental Social Control Mechanisms have not been able to create a dynamic relationship with civil society to encourage participation in the monitoring of the PRS. Nonetheless, the presence of the MDCSs has helped make the *Prefecturas* explain and report on the actions they take.

There is currently no connection between the accountability systems at the municipal and the departmental levels. In the municipalities, the main actors in a downward accountability system are the Municipal Executive, the Municipal Council, the Vigilance Council (Comité de Vigilancia), and Base Territorial Organizations (Organizaciones Territoriales de Base). The main criticism that the PND makes of the current institutional structure is the existence of a marked institutional weakness at the subnational level which limits the capacity of the municipal governments to fulfill their tasks. In spite of this clear institutional weakness, there have been some improvements in downward accountability at the subnational level. As at the national level, however, these improvements are limited in part by lack of progress in monitoring and evaluation systems. The formal accountability systems at the subnational level could benefit from taking into account some of the traditional forms of social control, which have the potential to improve local governance.

With respect to *transparency*, there exist some interesting experiences at the municipal level. Some large municipalities and some *Prefecturas* have active websites where they publish information. It will be important for the public to push for and to monitor these types of activities. The international donor community has provided support for these efforts to improve transparency, and should continue to provide this support.

Public *reporting* on resources used and results achieved is very rare at the subnational level. In some of the large municipalities and in two *Prefecturas*, the SIGMA system (Sistema Integrado de Gestión y Modernización Administrativa) has been installed. The expansion of SIGMA or a similar programme to other municipalities and *Prefecturas* should continue. It is also important to continue efforts to link budgets to process and results indicators, both at the national and subnational levels, because this could help improve monitoring and thus strengthen the downward accountability system. Both the national government and the donor community should prioritize the creation of monitoring and evaluation capacities and of a culture of reporting and accountability.

In terms of *action* and *response* at the municipal level, the role of civil society is institutionalized in the Vigilance Committee, which was created before the PRS in the Public Participation Law. The National Dialogue Law gave this Committee some additional responsibilities, including monitoring the use of HIPC II funds at the municipal level. The Vigilance Committees are relatively successful at “controlling” the actions of the Executive at the municipal level, and it will be important to continue to strengthen the capacity of these Committees into the future. Social control at the municipal level appears to have improved since the elections in December 2004, when a number of ex-members of the Vigilance Committees were elected into positions of responsibility in the Municipal Government. This has increased the respect for social control mechanisms at the local level. Building on this potential in the future will strengthen downward accountability systems.

With few exceptions, the departmental and national Social Control Mechanisms have not been able to effectively monitor government action, and the envisioned link between the MNCS, MDCS and Vigi-

lance Committees has failed. Despite its problems, social control works better at the municipal level than at the national or department levels. In many instances, the efficient functioning of municipal social control is based on specific forms of social organization (agrarian unions, indigenous peoples and others), and for this reason the common elements of these practices should be studied in greater detail.

### **Downward Accountability and Poverty Reduction**

One possible contribution of downward accountability systems is that they can make poor citizens feel that they are being taken into account in the design and execution of public policies. Moreover, several of those interviewed for this study said that more transparency and more reporting regarding public management would help reduce corruption, which would in turn help make poverty reduction efforts more effective. Following this line of reasoning, it has also been suggested that downward accountability helps improve the use of public funds: increasing the results-orientation of spending decisions would in turn increase the impact of the poverty reduction policies.





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