



Politics and Poverty in the Andean Region

*Policy Summary:
Key Findings and Recommendations*





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Politics and Poverty in the Andean Region
Policy Summary: Key Findings and Recommendations

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Preface

Can there be any doubt that poverty and inequality are at the heart of Latin America's democratic deficit?

Since the “third wave” of democracy spread across Latin America in the late 1970s, democracy has become the dominant form of government throughout the region, including the Andean countries. Conversely, despite the expectations raised by the spread of democracy throughout the region and recent periods of strong economic growth, these processes and developments have been unable to eradicate extreme poverty and growing inequality in the Andean countries.

Although free and fair elections have become the rule, it is clear that the mere technicalities of democracy are insufficient for guaranteeing the provision of basic services and helping to alleviate poverty and inequality, and that an analysis of the disconnect between democracy and development must go much deeper. In order to meet this challenge, since 2005, International IDEA and Transparencia have conducted research into the linkages between democracy and development, interviewing politicians, civil society representatives and academics in the Andean countries and incorporating research from both the economic and political science disciplines. In bridging the gap between development and democracy experts, International IDEA and Transparencia have sought to contribute to an understanding of how political systems can become more effective in reducing poverty and inequality.

The present policy brief and the book on which it is based — “*La política y la pobreza en los países andinos*,”— present key findings from the broader research and dialogue project. The main focus is on the identification of potential areas of consensus between political parties in the fight against poverty; and an analysis of the major political obstacles to poverty reduction.

The publication was made possible with the generous financial and technical support of the United Kingdom's Department for International Development (DFID). We are also grateful to the National Democratic Institute (NDI) for its participation in the project.

International IDEA and Transparencia established the *Ágora Democrática* programme in 2004 to support analysis, dialogue and reforms aimed at strengthening political party systems. The present publication is part of a series of studies that focuses on the political systems of the Andean countries and seeks to provide policy makers, political party leaders, civil society representatives and academia with a better understanding of the challenges that democracies in the region are facing. *Ágora Democrática* has also published *“Partidos políticos en la Región Andina: entre la crisis y el cambio”* (2004); *“Democracia en la Región Andina, los telones de fondo”* (2005) and *“La política por dentro: Cambios y continuidades en las organizaciones políticas de los países andinos”* (2007).



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Introduction

By Adam Behrendt *

The importance of better understanding the political context and working with political systems to further reduce poverty and inequality is a challenge for international donors.

The relationship between politics and poverty is increasingly mentioned by donor agencies, but the question remains as to why and how donors should or could engage in this difficult and challenging area. There has been growing attention to and awareness of these issues, particularly in Latin America but also in other regions, and this comes in response to a number of important trends in the development community, both internal and external.

The Politics of Development in Middle-Income Countries

Many Latin American Middle-Income Countries (MICs) have made progress on overall economic development, but oftentimes this progress has not involved reductions in inequality or genuine institutional development. As a result, many countries have suffered from political crisis, and democracy, rather than the predominant economic model, is increasingly considered to have been ineffective in responding to the needs of many of the poor and excluded.

Inequality and unfulfilled needs have generated social and political unrest, as seen in the Andes, where many presidents have not been able to complete their terms due to protests and popular uprisings. Countries in this region have been plagued by violent confrontations and civil unrest, and new regional alliances that challenge U.S. and Western influence and models have become consolidated. Internally, many countries have become increasingly divided between more traditional political and economic positions and the new populism that is sweeping Latin America.

In this context, development agencies and multilaterals have had an increasingly difficult time defining and implementing effective means to reduce poverty. Effective cooperation has been limited in some countries by political instability and social unrest, while in

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other countries, extreme swings in policy positions resulting from political polarisation and splits among different governing actors have limited cooperation. In still others, cooperation has been reduced by a lack of representation of the excluded groups or of more responsive and technically adequate policy platforms. These factors prevent much of the financial and technical cooperation from having their desired impact and limit advances in the struggle to reduce inequality.

What can donor agencies do to address these obstacles and improve the impact and effectiveness of their aid? It is now clear that donors must go beyond merely citing a lack of political will to justify a failed reform or programme, and that the actions of donors themselves are political and have political impacts on the countries in which we work.

Before considering this question further, it is useful to mention some internal changes in the donor's way of working that make better engagement with political actors and an improved understanding of political issues critical to the success of poverty reduction.

Policy Dialogue and New Development Instruments

In recent years, the donor community has undergone a quiet revolution in its approaches, both in middle and low-income countries. Much of this resulted from the recognition that previous ways of working are no longer effective, and that the situation in many countries has changed since the past decades and different kinds of approaches and instruments are needed.

In middle-income countries, marked by economic success and the availability of financial resources, the emphasis has been placed increasingly on policy dialogue to achieve “better” and more “pro-poor” policies and improved use of resources and technical inputs. This is coupled with the idea that there must be clear “country ownership” in that the final decisions on policies and budgets must rest with the country and not with the donor community. Policy dialogue is about coming to agreement on policies that will benefit the poor, and are usually then attached to a financial or lending instrument such as policy-based loans or budget support.

Given these new approaches and instruments, donors need to be extremely interested in the process and outcomes of policy dialogue, and should be particularly concerned about the participation of the poor in that process and the quality and poverty impact of these policies. Donors must also be focused on the ability and incentives of a particular country

to undertake reforms and changes that are most likely to meet with political resistance at one level or another, and propose more intelligent ways of supporting such reforms.

While donors have often contributed to policy dialogue either through “evidence-based inputs” such as studies, assessments and reviews primarily undertaken by the central government once it is in power, as well as through supporting civil society groups to better influence the direction of policy, donors have been ineffective in terms of working with those most directly responsible for making and implementing policies: political parties and parliaments. These actors have a fundamental role to play both in the overall democratic process to assure ‘country ownership’ and in the specific policy formulation process. The question, then, might be whether donors should be engaging with these actors as well as central governments and civil society, and if so, how?

The Importance and Development Capacity of Political Actors

It seems now fairly obvious to state that political parties and parliaments are critical actors in the process of policy making and policy implementation, and that if we are interested in policies, we need to take them into account. Indeed, donors such as the World Bank and the Inter-American Development Bank (IADB) have undertaken a number of studies and reviews such as “The Politics of Policies” and “Democracies in Development” and are improving how they engage with political actors around key research findings and development policy reviews (for example, the recent dialogue supported by DFID between the World Bank and political parties on social policy in Peru), and how they measure and respond to political risk (for example, the Governance Profiles instrument that has been piloted by the IADB to better understand the political economy).

However, these actors carry out other important functions that are critical to the success of development reforms in democratic middle-income countries; we are now learning more about these functions through our current work in the region. Some of these are critical to addressing the trends and challenges that were mentioned earlier, such as political instability, social unrest and maintaining policy continuity. These problems often involve the persisting inequality between groups within Latin American countries and the political agendas that these create (rural-urban, indigenous-*mestizo*, highland-lowland, coastal and mountain regions, etc). A diverse and active civil society containing a mix of associations, social movements, unions and NGOs, has been increasingly polarized and fragmented, leading to an inability to define and agree on common policies, conflict between groups and regions, and constant changes in policy.

Political parties and political actors carry out a series of tasks that are currently very weak and neglected in many Latin American countries:

- **Aggregating the interests** of different groups within society to come up with policies and responses that are more feasible in terms of formulating a government response. Direct participation of civil society has often led to greater but more fragmented participation, resulting in difficulties to create policies that can respond equally to such a diverse set of demands. Without this, it will be impossible to formulate policies that can be implemented as too many groups will oppose and sabotage reforms.
- **Engaging in dialogue and negotiating pacts and agreements.** The capacity to negotiate, compromise and reach positions that satisfy all or most actors is extremely limited. Given the rise in polarisation among regional, ethnic, and other groups in most Andean countries, there is a real need to approximate positions in order to agree on a minimum set of big policy questions confronting these countries. Without this, it will be impossible to achieve more continuity in policy.
- **Reducing and managing conflict.** If the two tasks mentioned above are done, they will help to complete a third task, which involves the management and reduction of conflicts among groups in society and between society and the state. Once the level of disagreement and mistrust among groups has reached a very high level, civil unrest, violent protest and conflict tend to exacerbate existing differences and distract the resources and attention that should be used to address poverty or inequality through political, economic and social programmes.

The UK Department for International Development (DFID) and Supporting Political Representation of the Poor in Latin America

Since 2003, the DFID has been working on the abovementioned set of principles and ideas through a series of programmes in Latin America based on improving political representation of the poor by focusing on the political system. The main goal of our programme in this area is:

To increase the representation of the poor in political systems in order to produce more pro-poor policies and budgets

We have been particularly concerned with better understanding two main questions.

1. What is the relationship between parties and the poor and under what conditions do parties better represent these groups? (Inputs)

2. What are the policy positions and platforms of the major political parties and how pro-poor are they? (Outputs)

And for the donor community, at a more operational level we are interested in the following:

1. How can donors improve our understanding and awareness of political issues and actors?
2. How and when should donors engage with different political actors as part of an inclusive policy dialogue on poverty and inequality?
3. What are the current strengths and weaknesses of the political system and how can it be more pro-poor?
4. Which are the key organisations, methodologies, approaches and best practices that are most suitable for this kind of engagement and how can the donor community work with them?

The Regional Andean Politics and Poverty Programme and Country Studies

As part of the main programme, the DFID supported a first stage consisting of a series of studies, workshops and dialogues on the theme of politics, poverty and donors in Central America and the Andean countries, in which political parties were emphasized. These programmes have been implemented by a broad consortium of actors led by International IDEA, and including the National Democratic Institute (NDI), the Multiparty Institute for Democracy (IMD), the United Nations Development Programme (UNDP), the Inter-American Development Bank (IADB) and different local think tanks and institutions varying according to the country.

On behalf of the DFID, I am happy to share this English language summary of this set of country studies produced as part of these collaborative efforts to date. We hope that these serve as a first step towards better understanding of the relationships and incentives between political systems and the poor, and that this may provide insights as to why it is important for donors to engage with political systems if we want to be more effective at reducing poverty and inequality. We are encouraged by these first lessons, but remain aware of the serious challenges that arise from many of these conclusions.

Finally, it is important to note some of the impacts of this work while assessing where it is headed. The DFID has been able to advance on this agenda together with other key donors through its regional approach, by better defining the issue, bringing more attention to it and providing some insight as to how to practically address on it. Several key publications and strategy documents such as *Democracies in Development*, the *Politics of Policies*, and others have been produced, disseminated and discussed by the IADB, one of the DFID's key partners in the region.

Likewise, a number of important bi-national programmes addressing political parties and poverty have now been initiated by other donors such as Sida, Denmark and the UNDP at the country level in Nicaragua, Honduras, Colombia, Ecuador, Peru and Bolivia. The DFID's impetus and inputs to these processes is ongoing, and we aim to continue supporting this critical process of improving the political representation of the poor in Latin America. We look forward to learning and further collaborating with other agencies, actors and institutions that also share this agenda.

Our sincere thanks go to International IDEA, the members of the consortium, the researchers, political party members, donor experts and others that have worked so hard on this difficult and important agenda. The DFID recognizes the value of this partnership and we are proud to be a part of it.

Towards a New Kind of Capital: Political Capital

As this publication is being readied for press, we have been developing the lessons into an emerging concept that we are calling "political capital." Like economic and social capital, there may currently be too scarce a supply of important political capital, which is needed to achieve so many of the changes that development agencies are working to support. Achieving basic political commitments in fragile states, gathering support for a challenging and difficult reform in which there will be losers as well as winners, and overcoming policy volatility due to deep swings in governing parties all require a good amount of political capital to achieve. And political capital, like other kinds of capital, can be produced, spent and developed. The question is: how and by whom?

As donor agencies, we need to be as aware of the need for political capital as we are of the need for economic and social capital, particularly in middle-income countries that are democracies. Otherwise, it is likely that we will be ineffective and inefficient in achieving the Millennium Development Goals (MDGs) and reducing inequality in both

the short and long term. We need to invest in this kind of capital and connect it to the technical, economic and social capital that we are already providing and supporting.

Latin American countries continue to face political and social crisis. This has produced an important opportunity: new institutional forms are being discovered and old ones are being actively renovated or reformed. This has generated powerful incentives for parties and political elites to work towards reform. The current processes of constitutional reform across many countries also provide a critical chance to improve the institutional arrangements of the political system to ensure better and fairer representation of poor and excluded groups and regions. Donors, agencies and other interested actors should seize this opportunity before it is too late.

Overview

By Gustavo Guerra-García & Kristen Sample

Introduction

Since the “third wave” of democratization in the late 1970s, democracy has become the dominant form of government throughout the Andes. However, neither this political transition nor economic development has succeeded in resolving the persisting problems of poverty and inequality in the region, and effective pro-poor reform continues to be hindered by political and economic instability.

This Policy Summary draws on essays and case studies developed by political and economic analysts, party platforms, consultations with political parties and workshops during the period of 2005-2006—which coincided with electoral campaigns in each of the five countries. The essays focused on the following questions:

1. What kinds of policies do the main political forces propose to reduce poverty and inequality? What are the principle points of consensus and disagreement?
2. How does the political system affect the fight against poverty? What kinds of incentives or disincentives operate in the system of political representation and how do they affect the willingness and capacity of political actors to promote development and equality? What kinds of reforms are necessary to ensure that the political system helps reduce poverty?

Additionally, the research includes case studies on key pro-poor policies and programs developed in each of the countries as a means of identifying the political drivers and factors that made reform possible, and to better understand the role of political parties in developing these policies.

Through the national reports and the case studies, the five country studies reveal some key policy areas and challenges which influence pro-poor reform throughout the region, and prompts some general recommendations for parties, political party support organizations, and donor agencies.

* The authors would like to thank Diane De Gramont for her assistance in summarizing and translating the original publication.

These recommendations were in turn presented and debated by political parties, civil society and donor organisations in each of the Andean countries during early 2007 with an aim to promote debate on the promotion of pro-poor reform in the region.

Policy Areas

Several policy areas that are particularly crucial to the development of pro-poor reform and which must be addressed within any comprehensive approach to fighting poverty and inequality were selected for analysis as part of the programme. Though consensus exists in many of these areas, it often has yet to be transformed into concrete initiatives and some remaining disagreements must still be overcome. These areas are:

- **Economic and social policy:** Andean governments have struggled to find a balance between prudent management of the economy and social policies that develop safety nets to prevent poverty.
- **Tax and fiscal policy:** There exists consensus on the need to build efficient and egalitarian tax institutions and improve the quality of public spending, but there is disagreement on the instruments of tax reform and the powers of regional and national governments.
- **Decentralisation:** The decentralisation process has the potential to increase poor people's access to resources and participation in politics but the risk of corruption and the consolidation of power by local elites remains.
- **Labour laws and social security:** Pro-poor development is heavily tied to the income capacity of families. It is thus essential to develop policies which create quality employment and incorporate citizens into the formal economy.
- **Justice system:** Legal insecurity remains one of the biggest problems in the Andes, especially given the lack of judicial presence in poor and excluded parts of the countries.

On issues related to economic and social policies, there is broad consensus around the need for prudent handling of the economy, making the promotion of competitiveness through market chains a priority along with the fight against poverty and inequality. There are significant differences, however, with regard to free trade agreements, privatization and concession processes, and tax provisions for major investment projects based on natural resources.

In tax and fiscal matters, consensus revolves around the need for: i) transparency and quality in public spending; and ii) an efficient, equitable tax system. Nevertheless, there

are discrepancies in parties' political programmes with regard to: i) national planning and public investment systems, which reduce political discretionality; ii) maintaining tax exemptions; and iii) the course of action to follow for fiscal decentralisation.

There is both consensus and polarisation around the issue of decentralisation. Party platforms emphasize the importance of promoting efficiency in spending at the sub-national levels of government, supporting training in administration for sub-national entities, optimizing inter-governmental coordination and collaborating to improve regional and municipal planning. Positions do not converge, however, when it comes to the speed of the decentralisation process or the incentives for evaluating, sanctioning and encouraging good practices.

With regard to labour and social security policy, there is consensus on the need to promote employment, job training and the need for a more inclusive health and social security system. Discrepancies among parties are related to the degree of flexibility required in labour contracts, the intensity of workplace inspections, and the type of funding for health and social security systems.

With regard to judicial reform, there is consensus in party documents regarding the need for an accessible, neutral, reliable, autonomous judicial system that functions in a timely manner for all citizens. There is disagreement about the how and why of such a reform. There are contradictory views in this regard; some propose judicial reform from within and others from outside. There is also a lack of consensus about how to increase judges' professional capabilities and how to contribute to the modernisation of oversight mechanisms.

In the current context of the Andean countries, the areas of reform that could have a greater impact on the redistribution of wealth in a reasonably short time are those linked to economic and social policies, tax and fiscal policy, and labour and social security policies.

Economic policy is the best tool for ensuring pro-poor growth. This reform is directly linked to the definition of policies that promote more inclusive businesses that allow growth to benefit the poor. Social policy, meanwhile, is crucial for establishing a minimal welfare state to ensure equal opportunity and establish social protection networks to provide basic protection against various types of shock. Tax and fiscal policies determine the size of government and the importance of the public sector's share of the GDP. More room for fiscal manoeuvring means a greater possibility of shaping

economic growth to give preference to the poor. Labour and social security policies have two basic impacts. First, they determine the degree of protection provided to families under the terms of labour contracts, and second, they make it possible to finance health and social security systems with resources from employers and workers. The more people who are included in labour contracts and the social security system, the more public resources are freed up for the government to assist those who are outside the modern, formal sector.

In all cases, the reforms are complex, and advocacy by civil society and non-governmental parties is not easy. The Andean experience shows that providing incentives or conditioning macroeconomic reforms is extremely complicated. Economic, fiscal or tax policies, therefore, are more affected by the pressure from powerful organized groups and by the views of bureaucrats in the public economy and finance sector than by the lobbying of grassroots organisations that represent the poor.

Nevertheless, it is interesting to note that in some social programs, in social security policy, and in legislative decisions related to labour contracts and decentralized reforms, grassroots organisations are involved and there is intense debate among parties. The movements, institutions and organisations that mainly support decentralisation also promote reforms related to that process, which are linked to greater citizen participation in decision making, greater opportunity for public consultation, positive discrimination and improvements in mechanisms for political representation and participation.

In general, decentralisation processes have given rise to a series of mechanisms that facilitate participation by and representation of the poor in government decision making at decentralized levels. One clear example is the participatory budgeting process in Peru, a mandatory consultation in which decentralized governments are given an incentive to reach agreements with representatives of the most important community organisations about how budget funds will be spent.

Challenges

Despite a generally favourable regional political and economic climate for pro-poor reform, the Andean countries still face several important challenges in developing effective policies to combat poverty and inequality.

- **Linking Institutional and Social Development:** Strengthening democracy and helping the poor are often viewed as two distinct goals, and there exists a lack of understanding on the relationship between the two. Insufficient emphasis is placed on the impact of institutional design on economic policies and situations of social marginalisation, and thus there is a lack of will to develop political systems capable of reducing poverty.
- **Economic Development and Poverty Reduction:** Economic growth is a necessary but insufficient condition for the fight against poverty, and it has historically left many groups behind. In order to solve social problems, development must be pro-poor, meaning that it should promote more income growth among poor people than the rest of the population, thus reducing inequality at the same time.
- **Political Parties and Representation:** There exists a strong consensus on the need to reduce poverty and inequality and prioritize health, education, and social programs, yet parties disagree on the role of the state, social priorities, the orientation of reform and how programs should be funded. Additionally, parties have failed to effectively represent poor and excluded actors, who tend to vote for outsiders. This crisis of representation is exacerbated by low party programmatic capacity and the prejudicial power of money in the political process. Weak party structures have contributed to the growth of a variety of other non-traditional political organisations, such as unions, indigenous groups, and regional associations. Despite their growing power, there is a lack of understanding of these groups or of their place within the political system.
- **Political Participation:** Public participation in parties remains low in all the cases studied except Venezuela (and to a lesser extent, Bolivia), and the exclusion of certain groups from the political process remains both a cause of poverty and inequality and an obstacle to reform. Poor sectors have almost no voice in the political process and clientelism and anti-institutional caudillista tendencies hamper their effective representation, leading some to question whether such representation is even possible. However, some important steps have been made towards inclusion. Quota legislation in Bolivia, Ecuador and Peru has contributed to the election of more women, and indigenous political participation has grown significantly in Bolivia and to a lesser extent in Ecuador.

- **Legislative Weakness:** As representatives of the people, legislators should be the strongest advocates for the poor, yet in most cases, Andean legislatures remain weak with limited control over the budgetary process. Intraparty competition within the legislatures has further diminished their effectiveness.
- **Culture of Confrontation and Political Pacts:** These inequalities and crises of representation have led to strong factions and political polarisation, which often extends into civil society, impeding dialogue or consensus on reform and leading to further dissatisfaction with the political system. Multiparty dialogue and political pacts are impossible in the current climate in Venezuela. Even if this polarisation was overcome, political pacts have traditionally been formed to address political rather than social concerns and do not guarantee a unified response to poverty. For this reason, they are often viewed as exclusive and elitist.
- **Consolidating Progress:** Some progress has been made, particularly in the political sphere, but many reforms still need to be strengthened and institutionalized. It is necessary to build on advances made to continue working with political parties to train activists, push for public campaign financing, consolidate measures such as quotas which promote political equality, and promote internal democracy and transparency.
- **The Time is Now:** Economic growth, growing consensus on the need for poverty and inequality reduction, high public expectations and the existence of some functional political pacts in the Andes make the implementation of pro-poor reforms imperative, but there is a lack of political will to implement concrete solutions.

General Recommendations

The research on the relationship between democracy and development is extensive and ongoing. This publication has not sought to reflect on the relative merits of each of these studies or engage in a “which comes first” debate. Rather, the discussion takes as a given the intrinsic benefits of democracy and centres on some of the political factors that can affect—positively or negatively—efforts aimed at poverty reduction. From a proposal-oriented perspective, the question is, how can democracies become more supportive of pro-poor development? The national reports, case studies and subsequent dialogues point to the following recommendations:

A crucial first step for endorsing pro-poor reform is to support opportunities that allow the poor to have greater influence in political decision making.

Additional analysis is needed to determine the possibilities for and the effectiveness of mechanisms for the participation of the poor in political processes. Voting is perhaps the most basic mechanism, but it should by no means be the only one.

An additional area of analysis centres on the extent to which the poor participate in political parties. The real evidence available is limited, although one potential source is data on responses to the question, “Do you work for a political party or candidate?” If we can assume some correlation between education level and economic status, it is striking to note the significant difference between Venezuela and Bolivia on the one hand, and Colombia, Ecuador and Peru on the other in terms of participation of the poor (taken here as respondents with a high school education or less) who responded “very frequently” or “frequently” (*Latinobarometro*, 2006).

Given that the percentage of the “poor” who work for a party or candidate is still a distinct minority (reaching no more than 26% in Venezuela, the country with the highest percentage), it is important to consider alternative means for the poor to influence the political process. At least two of these means are particularly relevant in Latin America.

The first is collective action via civil society or social movements. In recent years, mass movements have exerted sufficient influence in Ecuador and Bolivia to topple constitutionally elected presidents. Additionally, there are cases where they have been able to affect the broad public debate (demands for a Constituent Assembly) or more specific sectoral interests (on coca policy, for instance). Bolivia seems a particularly important case given that it has seen a grassroots social movement evolve into a governing political party.

Sub-national governments represent another important mechanism for the political participation of the poor. Local spaces for development decision making are opportunities for the poor to have a voice. Mechanisms that allow the poor to influence municipal budgeting hold particular promise. This option is not without its risks, however. In most cases, the level of articulation between the central and sub-national governments is limited at best. Indeed, there is frequently a political and functional “gap” between the national and municipal/regional governments that impedes concerted pro-poor action. This situation is further exacerbated by the fact that the sub-national councils in some countries represent the only real political “opposition” faced by the central government—an added reflection of the weakness of the political party systems.

Parties can also adopt quotas aimed at encouraging the participation of excluded groups (generally women, but youth or indigenous people may also be included) on either their candidate lists or executive committees. Data has shown worldwide that the inclusion of women within parliaments is crucial for the development and passage of equity-friendly legislation on issues including domestic violence, sexual harassment, maternity leave, and sexual and reproductive rights. Within the Andean Region, there are numerous examples of groundbreaking legislation—responsive to women’s rights—sponsored and pushed for by women legislators.

Additional analysis is needed on the role of political representation in pro-poor policy formulation, implementation and evaluation. In the context of the Andean presidential systems (some of which have been classified as “hyper-presidential”), the influence of parties and parliaments in development public policy is far from assured. Although there is only limited research on the relationship between these institutions and the impact on pro-poor reform, the publication identifies a number of factors that limit the “programmatic” effectiveness of parties and parliaments and ventures to make the following recommendations.

We distinguish below between recommendations aimed at strengthening the participation of the poor and other excluded sectors and those aimed at encouraging pro-poor platforms.

Recommendations on Broader Party Participation

- New models for party recruiting with particular emphasis on outreach to excluded groups through contacts in universities, with civil society and social movements. It is important to strengthen parties’ ability to intermediate through the interaction between party bodies and issue-oriented and geographic civil society organisations.
- Respect for quotas where they exist. If quotas are not legally mandated, parties can adopt voluntary quotas to encourage the participation of excluded groups such as women, youth and the indigenous.
- Support for processes through which party members and civil society participate more broadly and contribute to the definition of their parties’ political proposals.
- The challenges faced by parties extend beyond their outreach and programmatic capacity. Although the link to pro-poor capacity is less direct, more generalized strengthening activities on organisational development, internal democracy, communication and outreach and training can also be considered.

Recommendations on Pro-Poor Policies

In addition to supporting the participation of poor and excluded groups in political parties, the following types of actions can promote proposal development aimed at poverty reduction.

- Development or consolidation of think tank wings or party foundations aimed at bolstering access to technical information and proposal formulation. Alternatively, parties may forgo the creation of a think tank and focus instead on developing links to technical resources at universities, NGOs or consultancy firms.
- Public funding for parties is very important to counteract the risk of over-representation of more powerful groups and under-representation of poor sectors. At the same time, it is important that funding not encourage fragmentation and that it allow for ongoing party operations beyond campaign periods.
- In addition, equitable access to the media is necessary to level the campaign playing field and limit dependence on special interests.
- Increasing transparency by strengthening mechanisms for accountability and information and combating influence peddling, political corruption and illicit campaign funds is key to ensuring that money is not the factor that controls the political system.
- Initiatives aimed at strengthening the cohesion of party groups in parliaments. Examples include assigning party groups the responsibility for adviser selection and the supervision and presentation of debate.
- Electoral and legislative reforms aimed at discouraging fragmentation and party crossover can also be considered. In this area, it is important to review regulations related to barriers to entry and mechanisms for withdrawal from the political system. These mechanisms should be designed in such a way that they help strengthen parties.
- Promoting budget processing teams in parliaments so that the allocation of public resources can be widely debated on the basis of technical and political criteria, and government economy and finance bureaucrats do not have excessive influence.
- Improving mechanisms for cooperation and consensus building between the legislative and executive branches, so as to create conditions for promoting agreement on pro-poor policies.
- Strengthening development institutions, expanding capacity to develop and implement policy at both the national and decentralized levels.

International Cooperation

International organisations can play an important role in spurring pro-poor development, and have unique opportunities to promote cooperation on national and international levels and provide technical assistance. The passage of the Paris Declaration on Aid Effectiveness in March 2005 marked a stronger international commitment not only to foreign aid, but to ensuring that aid is well utilized. In order to maximize its effectiveness, mechanisms of international cooperation should:

1. **Promote links between the democracy and development sectors.** Be it within the academic, civil society or cooperation communities, these two groups tend to operate on parallel tracks. At a minimum, international organisations should avoid reproducing these schisms within their own structures. And ideally, the international community should seek to act as a bridge, promoting multi-disciplinary dialogue that links democracy and development analyses. As part of these processes, donors should focus in particular on gaining a better understanding of the key incentives that influence political actors and processes.
2. **Use success stories.** An asset of international donors is their comparative knowledge and access to international experiences. Donors should seek to identify and document instructive examples of pro-poor reform and promote South-South exchange based on them. While recognizing that each country represents a unique case, concrete successful experiences—supported by quantifiable evidence—can provide lessons and inspiration for struggling reformist sectors.
3. In order to act as effective facilitators of pro-poor political reform, international donors need to reflect on and adjust their own *modus operandi*. The complex and unpredictable nature of political processes necessitate the following types of approaches:
 - Project cycles that are *medium to long term*, meaning a minimum of 3 years.
 - Built in *flexibility* that allows project implementers to modify objectives or activities, in accordance with the shifting political and economic context.
 - Ensure in house (or ready access to) *political analysis capacity*. Context matters. A keen understanding of political change is critical in order to identify opportunities for the promotion of pro-poor reform and to build on progress and consensus already achieved.
 - A recognition that pro-poor reform makes *working with political actors*—particularly parliaments and political parties—imperative. Likewise, reform requires political dialogue processes and donors must be able to facilitate interaction between and among parties and with civil society. The inclusion

of traditionally excluded groups (women, indigenous and the poor) in political dialogue processes is essential.

- *Humility*. Sustainable pro-poor reform hinges on the national actors who themselves are influenced by an array of economic, political, cultural and social factors. Donors can seek to facilitate change, but cannot drive the processes.

Andean Parties and Political Inclusion

By Carlos Meléndez

One of the key challenges to effectively combating poverty and inequality in the Andean region is the difficulty of fully representing traditionally disempowered groups such as women, young people, and indigenous communities in political parties. The political participation of these sectors is often hindered by discrimination and scarce resources, and their lack of representation can lead to dissociation with the democratic process. As the link between civil society and government, and the source of most political candidates, parties have a crucial responsibility to incorporate all sectors of society.

Andean states have recently passed several reforms to promote inclusion within political parties, and excluded groups have made some gains.

- Gender quota laws implemented in Bolivia, Ecuador, and Peru have allowed women to make significant progress in terms of political participation. However, these candidacy requirements do not guarantee effective representation in the legislature or changes in the internal power structures of political parties. Apart from quotas, there exist very few other legal measures to promote women's participation, although some parties have taken independent steps to do so. According to a survey of 37 Andean political parties, 16 have formal structures to encourage the participation of women and 15 have internal norms for female participation. A few parties have also adopted higher quotas than mandated by law.
- Indigenous groups have gained some representation through the creation of their own political parties and alliances with other parties. They have made the most significant gains in Bolivia, where the *Movimiento al Socialismo* (MAS) and its candidate, Evo Morales, successfully won the presidency. However, only eight of the 37 parties studied indicated that indigenous groups were present at their founding, all of which were in Bolivia, Ecuador, and Colombia.
- Young people have not benefited from strong legal measures to promote their participation, although Peru passed a quota law for young candidates in local elections. However, 17 of the 37 parties indicated that they had structures in place to encourage youth participation, and young people make up about half of trained party activists.

Though internal structures and initiatives to promote participation remain weak, creating persisting social discontent, there have been some advances in inclusion and participation. It is too early to fully assess the impact of their political participation, but the fact that excluded groups have gained representation at all is a step towards genuinely reflecting the plurality of society on the national agenda and has eliminated significant obstacles and barriers to equal political participation.

Party Systems and Development

National Report: Bolivia

By Francisco Herrero

Key Challenges and Recommendations

Pro-poor reform in Bolivia has been hampered by economic and structural factors as well as the weakness and polarisation of its political party system. The Bolivian economy is export-based and lacks sufficient incentives to increase productivity or job growth within the country, and economic growth has not resulted in a reduction of the poverty or inequality rates, which remain among the highest in Latin America. Despite efforts at decentralisation, Bolivia remains a centrist state. However, it lacks a professional and meritocratic civil service and its technocratic experts often have few ties to the problems of the citizenry. Social policies have historically been limited to softening the impact of neoliberal reforms and most Bolivians believe these programmes were primarily intended to cultivate political support for politicians rather than help the neediest.

Traditional political parties in Bolivia are often viewed as corrupt and have faced challenges in clearly communicating their platforms to voters or adequately promoting transparency and internal democracy, reinforcing their negative image. The weakness of these parties, as well as the structure of the electoral system, facilitated the entrance of new political and social movements. However, most of these groups lacked a strong nationwide vision or the organisational capacity to operate outside of election season, preventing the creation of strong programmes or a base of skilled activists. Thus the multi-party coalitions which ruled through 2005 often lacked ideological or programmatic bases, diminishing their ability to effectively represent their constituents or propose concrete reforms.

This institutional and representational crisis created widespread disillusionment with the political system, leading to the victory of indigenous leader Evo Morales and his *Movimiento al Socialismo* (MAS) in the presidential elections of December 2005. President Morales promised to “re-found” Bolivia to remove the old political and economic elites and better represent poor and excluded sectors. His government created a Constituent Assembly to draft a new Constitution and has instituted processes of land reform, industry nationalisation, and regional decentralisation.

These initiatives have sparked strong opposition from the more developed eastern regions of the country. The political system has lost essential functions for promoting dialogue and negotiation and the strong rhetoric on both sides makes compromise difficult.

To help address this situation, this study proposes the following recommendations:

Political Party System

- Structure the party system in a way which empowers activists, especially on the local level, and ensures that they have work outside of campaign seasons.
- Promote clear ideological platforms and proposals for government.
- Implement transparency and strong mechanisms of internal democracy.
- Encourage the inclusion of traditionally underrepresented sectors and increase mechanisms of dialogue among diverse groups and within ideological orientations.
- Reform barriers of entry to prevent both the proliferation of excessive non-ideological electoral choices and single party hegemony.

State Financing for Political Actors

- Maintain state financing for political organisations and target it to increasing education and capacity.
- Finance political organisations which promote the plural expression of ideas.
- Increase public availability of party financial reports.

Civil service, functionaries, and public service

- Maintain a clear distinction between the state, government, and party.
- Create a professional civil service regime which trains bureaucrats in the formulation and execution of pro-poor reform.

Sub-National Autonomy

- Ensure a coherent autonomic model which serves as a real instrument of intermediation and builds a new generation of public leaders and managers.

Electoral System

- Aid campaigns in socializing and consolidating democratic culture, with a particular focus on the training and organisation of political activists.
- Institutionalize policy debates between candidates and establish sanction mechanisms to ensure the fulfilment of electoral promises.
- Institute second round voting for the presidency to promote electoral alliances and greater legitimacy.

Political Cooperation

- Institute permanent mechanisms for political parties and other actors to discuss and generate strategies of national development and poverty reduction.
- Strengthen the institutional capacity of the agrarian reform programme to resolve disputes.

Commitment of International Cooperation

- Encourage international cooperation to aid in the strengthening of political organisations and their ties to the voters, and promote credible pro-poor reform.

Decentralizing Development

Case Study: Bolivia

By José Luis Exeni

On April 20th, 1994 Bolivia took a major step towards reforming its political system to better represent the interests of the poor through the passage of the Law of Popular Participation (*Ley de Participación Popular*, LPP). Though intended primarily as a political decentralisation rather than anti-poverty measure, the LPP seeks to benefit the poor through a more equal distribution of national resources, the consolidation of local authority, and, crucially, an increase in poor communities' representation in the political process. The law empowers grassroots organisations such as indigenous groups and urban neighbourhood councils, along with local governments, to create and implement development plans, operating on the principle that local actors are best qualified to identify and address local needs.

Several factors created a favourable political context for the passage of this legislation in Bolivia:

- **Regional Trends:** Politicians throughout Latin America increasingly began to consider the centralized government as an impediment to development and decentralisation proposals appeared throughout the region.
- **Growth of Grassroots Organisations:** Indigenous groups, peasant communities, neighbourhood councils, and other territorial organisations gained strength and began to push for more representation in a political process relatively dominated by elites. The presence of these new groups, along with the efforts of local political leaders, also made the consolidation of local authority envisioned by the LPP feasible.
- **Electoral Politics:** Part of the reason Gonzalo Sánchez de Lozada won the presidency was because of his promises to increase popular participation.

However, the specifics of the LPP were almost solely the result of central government efforts. President Sánchez de Lozada was extremely committed to the idea of decentralisation and soon after assuming the presidency, he formed a task force of politically independent technocrats led by Carlos Hugo Molina to develop a specific plan. This group, with considerable personal involvement from the president but almost no input from outside the executive branch, created the basis of the LPP. Despite only consulting legislators and civil society in the final stages of design, the government secured congressional approval for its proposal, due both to its substantial legislative majority and the aid of opposition legislators who favoured the devolution of political power.

Party Systems and Development

National Report: Colombia

By Alfredo Sarmiento Gómez & Luís Javier Orjuela

Key Challenges and Recommendations

Colombia faces significant challenges in combating its high rates of poverty and inequality, which have been intensified by economic crises as well as the ongoing armed conflict between the government, guerrillas, and paramilitary groups. The Colombian state has been unable to establish a monopoly over the legitimate use of force, and violence has forced the dislocation of large sectors of the population, particularly poor rural farmers. State capacity remains low, especially with regard to the justice system, and large areas of the country are outside of government control. Additionally, economic restructuring has led to an increase in informal employment, and most of the gains that were made in reducing poverty were lost in the economic crisis of the late 1990s.

Reforms and presidential initiatives created to address these issues have been unable to stop the rise in poverty and inequality. The 1991 Constitution included strong social welfare provisions and was intended as a peace treaty between the Colombian people to bring greater political access, security, and a more equitable distribution of resources to the country. However, the new constitution failed to end the escalating armed conflict, partly due to the lack of guerrilla and paramilitary participation in the constituent process. Additionally, implementation of the constitution's social welfare provisions was weakened by neoliberal economic reforms which promoted free trade, reformed regulations, and reduced the size of the state, resulting in decreased social spending and weaker protections for the poor.

The interaction between progressive political reform and liberal economics has created a system in which a weak state with an imperfectly regulated market coexists uneasily with a social welfare constitution. Despite constitutional mandates on the equitable distribution of resources, the government bases its social policy largely on the principle that the laws of supply and demand, budgetary restrictions, and the transparency of regulation can lead to the correct assignment of social resources.

Proposals to increase regional equality and help the poor through resource transfers have been hampered by complex distribution rules and often end up maintaining, or possibly aggravating, the inequality of distribution. Additionally, administrative and

fiscal decentralisation has failed to decrease state spending and has brought fiscal instability to the departments and municipalities. Particularly threatening to the poor, the privatisation of state entities and the increase in labour law flexibility is advancing more rapidly than the state's capacity to regulate them or ensure basic worker rights.

Politically, the new constitution sought to increase inclusion by enabling a transition from a two-party to a multi-party system. This increased the space for participation, along with the establishment of clearer and more progressive rules for the distribution of social resources and the creation of both a writ of protection of constitutional rights and a Constitutional Court, facilitating pro-poor reform. However, though ethnic and political minorities have gained increased representation, these groups have also been weakened by a lack of political roots, internal struggles, and regulations which have led to political fragmentation. The persistence of clientelism and corruption, the inequality of access to resources, the concentration of land, and the lack of legislative autonomy also present challenges to pro-poor reform.

This study proposes several measures to capitalize on the positive steps that have been taken towards pro-poor reform in Colombia and overcome the remaining challenges, including:

Consolidating Direct Participatory Democracy

- Fully apply the 2003 reform on party organisation and elections to prevent proliferation and fragmentation and increase effective representation.
- Simplify legal procedures to implement the constitutional mechanisms of direct citizen participation.
- Create mechanisms to empower the poorest.
- Strengthen citizen watchdog groups with better institutional instruments to exercise effective social control over government administration.
- Maintain a cross-sector working group to increase state focus on equality.
- Institute a set of rules and evaluations in decentralisation procedures that create incentives for good management and facilitate accountability.
- Strengthen the financial administration of municipalities through an autonomous income base, the central control and evaluation of debt, and commitment mechanisms for responsible management.

Encouraging Political Cooperation

- Promote cooperation among parties, non-governmental organisations, and political and social movements to generate a wide consensus for reform.

- Strengthen the legislature's capacity to evaluate its actions and develop more effective public policies.
- Include the poorest in all designs for pro-poor reform.

Promoting Pro-poor Economic Growth

- Develop economic policies which give preference to the most vulnerable regions and social groups, particularly those in rural areas.
- Guarantee equal access to land, credit, education, and health.
- Facilitate the access to property for the poor by changing market regulations and providing subsidies and long-term credit for the purchase of land.
- Create a network of security, information, communication, and infrastructure to aid small and poor producers in managing investment risks.
- Develop information and training programmes to facilitate the shift towards non-agricultural work.
- Regulate the market to promote the employment of the poor.
- Improve the quantity and quality of the assets of the poor to increase employment and self-employment.
- Guarantee good employment with access to health, pension, education, and a living income.
- Reduce fiscal uncertainty and corruption and increase the quality of the justice system.
- Develop regulations which balance both employer and employee needs.

Designing a Strategy to Reduce Poverty and Inequality

Case Study: Colombia

By Gabriel Murillo

In 2004, the Colombian government created the Mission to Design a Strategy to Reduce Poverty and Inequality (*Misión para el diseño de una Estrategia para la Reducción de la Pobreza y Desigualdad*, MERPD), an inter-departmental programme charged with analyzing the causes and effects of poverty and developing successful measures to combat it. From the beginning, the project involved extensive cooperation between technocrats and civil society actors as well as representatives from the two major political parties and regional and local governments. It is known for its independent, high-quality analysis, and appears to be a long-lasting pro-poor policy.

Several factors made the development of a strong anti-poverty initiative in Colombia essential, including:

- **Economic Recession:** In the late 1990s, Colombia suffered its worst economic downturn since the Great Depression, pushing many more Colombians into poverty.
- **High Inequality:** Colombia has one of the highest levels of economic inequality in the region, comparable to Haiti and Brazil.
- **Guerrilla warfare:** The continuation and intensification of the armed conflict between the government, guerrillas, and paramilitary groups devastated rural Colombia, driving poor peasants off their land and leading to a dramatic increase in poverty.
- **Constitution of 1991:** The new Colombian constitution strongly emphasized social justice, decentralizing the government and mandating increased investment in human capital, health, and education.
- **International Influence:** Colombia faced strong international pressure to respond to poverty and inequality, particularly after the passage of the United Nations Millennium Goals.

Facing this situation, President Uribe tasked his Department of National Planning (DNP) with the creation of a concrete anti-poverty proposal, which was presented to the president in January 2004. Following approval of this plan, the DNP created the MERPD in cooperation with the Ministry of Social Protection and the Inter-American Development Bank, and in consultation with various experts, academics, and civil society members.

The development of this programme highlights some important lessons:

1. When addressing a far-reaching and complex problem such as poverty, it is important to encourage strong cooperation within the central government as well as with civil society and multilateral organisations.
2. Though technocrats are often hesitant to involve themselves in politics, cooperation among technocrats and political/civil actors can contribute significantly to a quality debate on effective and practical anti-poverty reform.
3. There is potential for a stronger relationship between pro-poor executive branch policies and the rest of the political system, especially the legislature and the political parties.
4. Pro-poor reform is not an ideological issue and it can be adopted in governments with a wide range of political leanings.

Party Systems and Development

National Report: Ecuador

By Michel Rowland García

Key Challenges and Recommendations

Ecuador has recently taken important steps towards poverty reduction and political inclusion, but it remains hampered by serious economic and political obstacles.

The Ecuadorian economy grew in the 1990s, yet as is the trend throughout the region, this growth failed to translate into concrete gains for the poor. Many people remained unemployed, underemployed, or informally employed, and the lack of job opportunities led to massive migration. Between 1990 and 2001, 30 to 40% of the Ecuadorian population migrated abroad or to urban areas, leading to an increase in urban poverty. Since then, the quality of life in cities has improved somewhat due to economic stability and decreased inflation, but poverty remains high, especially in rural areas. The dollarization of the economy has eliminated the government's flexibility with regard to monetary policy, but it has succeeded in bringing stability and investment security and for now, the economy has benefited from high oil prices and increased tourism.

The Ecuadorian Constitution promises an inclusive social welfare state with a redistributive, development-focused tax system and mechanisms for economic planning, but the government has failed to fully implement these goals. There has been continuous national effort to combat poverty and inequality, which was intensified in the years between 1998 and 2000, but its initiatives have lacked consistency and proved insufficient to correct these problems. State investment in health and infrastructure remains low and social spending tends to only benefit a small percentage of the population, increasing inequality. The Ecuadorian Internal Revenue Service has made some gains in efficiency but income tax evasion remains high and the government relies instead on value-added taxes, which also affect the poor. Additionally, the state has failed to develop an independent economic planning organism, and all planning remains dependent on the executive. Given executive and especially cabinet instability, this has resulted in a lack of long or medium-term development plans.

Despite the consensus on many issues, including health, education, employment, and the management of key sectors, effective reform has been hampered by political instability and fragmentation. New political movements have increased the representation of

minority and particularly indigenous groups, but have also been marked by an anti-system trend and have not always been willing to work within democratic structures. In 2000, President Mahuad was overthrown by a joint military and indigenous coup, and subsequent governments have faced instability and polarisation, with President Gutierrez removed from office in 2005.

This executive instability has been exacerbated by a debilitated party system. Political parties have failed to establish an effective connection with the population and in general, the Ecuadorian people have very little faith in either Congress or political parties, feelings which have been intensified by the proliferation of anti-system campaign messages. Additionally, the electoral system lacks any significant barriers to entry or exit, promoting the proliferation of different parties and preventing the executive from gaining a majority in Congress, resulting in sustained executive-legislative conflict.

To address these problems, this study proposes the following recommendations:

Legislature

- Implement political reforms and concrete actions which decrease executive-legislative conflict and develop consensus around poverty reduction policies.
- Consolidate ideological positions and government plans into an ordered public policy with concrete goals.
- Promote a political culture which supports cooperation rather than confrontation.
- Multi-party agreement aimed at eliminating (or technical targeting at a minimum) the subsidies that distort the state's income and expenditures.
- Develop inter-party consensus to implement pro-poor development, guided by the United Nations Millennium Goals.

Political Party Systems

- Strengthen the internal workings of parties and political movements through the implementation of programmatic declarations and improved training of activists.
- Improve party communication with the citizenry through greater accountability and periodic reporting on activities and finance.
- Promote coherence within political parties between social, tax, and fiscal policy and the goals of political and economic stability.
- Simplify electoral mechanisms to give voters clearer choices between candidates and evaluate barriers of entry to reduce fragmentation and promote the presence of effective minority representatives.

Other Actors

- Widen the spectrum of organisations and social actors involved in the fight against poverty and create a network of support to pressure political parties to take action on pro-poor reforms.
- Strengthen and consolidate decentralisation as well as accountability and social control at provincial and local levels.
- Establish independent think tanks to design, execute, and monitor pro-poor policies.
- Enhance coordination among cooperation agencies in the countries to ensure the achievement of the Millennium Development Goals (MDGs).

Free Maternal and Child Health Care

Case Study: Ecuador

By Michel Rowland García

Facing increased poverty and rising maternal and infant mortality rates, the Ecuadorian Congress passed the Free Maternal Child Health Law (*Ley de Maternidad Gratuita y Atención a la Infancia*, LMGYAI) in 1994, guaranteeing pregnant women and children under five the right to free health coverage. This legislation was strengthened by a series of reforms, including a 1998 law which widened the LMGYAI's application and extended reproductive health and family planning services to all Ecuadorian women. The LMGYAI was notable for its broad inclusion of civil society actors and local governments, strengthening the local management of health services and promoting increased accountability through the creation of citizen user committees.

Though the initial 1994 law was primarily motivated by electoral concerns, the 1998 reform reflected the increased strength of women's rights and public health advocates, and owed its success to several key actors:

- **Women's Groups:** The reform was defined by the participation of women's organisations, with the National Women's Council playing the leading role in coordinating its design and approval and several NGOs providing crucial assistance.
- **National Health Council:** The National Health Council repeatedly pushed for some form of universal health coverage, helping lay the foundations for the LMGYAI.
- **Technical Assistance Organisations:** Organisations such as UNICEF and the Pan-American Health Organisation (PAHO) financed technical teams and provided the international expertise needed to develop the reform.
- **Inter-institutional Working Group:** Composed of the above actors as well as representatives from the Ministry of Public Health and the National Congress, this group combined technical, political, and operative skills to create a concrete reform proposal and build political consensus for its passage.
- **National Congress and Political Parties:** The reform received support from across the political spectrum, with the Social Christian Party on the right and the Pachakutik Movement on the left acting as its strongest advocates.
- **Presidency:** The aid of Presidents Alarcón, Noboa and Gutierrez, and particularly their wives, significantly speeded the passage of the reform.

The success of this reform in Ecuador can provide a few key insights on the development of pro-poor and women's rights legislation:

1. **Good design and planning are essential.** The law of 1998 was successful because it was technically coherent, financially viable, and political executable. The effective leadership of the National Women's Council, the consensus building discussions, and the inclusion of many different sectors allowed for an enduring agreement.
2. **Women's issues can become public issues, and transcend political divisions.** The advocates of this reform successfully framed women's health as an issue that was above politics and concerned all Ecuadorians.
3. **Dedicated advocates can create effective reform even amidst political chaos.** Though Ecuador was experiencing extreme fragmentation, polarisation, and executive instability, the persistence of several actors allowed the process of reform to continue despite repeated changes in government.
4. **Legislation that supports the pro-poor agenda:** By including the Millennium Development Goals (MDGs) in the constitutional text to be developed in 2008, it is likely that future legislation will be more clearly focused on the fight against poverty.

Party Systems and Development

National Report: Peru

By Javier Alarcón

Key Challenges and Recommendations

Peru has recently experienced strong economic growth and stability, spurred in part by the continuation of investment friendly economic policies. Although this growth has brought an increase in consumption, a dynamic export sector, and some increases in the income of poor families, it has disproportionately benefited higher income sectors and its gains for the poor have been regionally uneven. Peru is the fifth most informal economy in the world and persisting poverty has created widespread social discontent.

There exists significant consensus on the need to address these issues, but disagreement remains on the proper form of economic development and there is a lack of long-term social initiatives. Investment in anti-poverty programmes has increased significantly in recent years but the effectiveness of these programmes has been hampered by a limited focus and spending restrictions. Additionally, the budget has failed to adequately prioritize social programmes in nutrition, education, or health.

In 2004, the National Democratic Institute implemented a pilot programme in Peru and Bolivia, financed by the UK Department for International Development, to address this lack of effective state response and study the incentives which promote or hinder the development of pro-poor reform. It concluded that the structure of the parties, citizen expectations, and the functional logic of the political system encourage short-term assistance-based policies and hinder long-term reforms, especially those which could affect important interest groups.

Political parties in Peru have been unable to incorporate new social sectors and traditionally excluded groups, leading to a lack of representation and growing dissatisfaction with the political system. These feelings have encouraged the rise of outsider candidates and individualistic political parties, many of whom lack independent programmatic or ideological positions. Though traditional parties have attempted to regain electoral strength through the reform and modernization of their structures, they too have been hampered by overdependence on the party leader and a lack of concrete proposals. This party weakness and fragmentation has increased social tension, and national levels of inequality and exclusion prevent the stability, confidence, and political support necessary for the implementation of reforms.

In addition, the structure of the political system has impeded an effective response to poverty. A lack of party discipline and restricted budgetary powers limits legislative capacity and removes important mechanisms for consensus and reform. The response of the executive branch is hampered by an unevenly developed bureaucracy, low transparency, and the lack of a systematic approach to poverty. Excessive centralism has also limited understanding of social problems in the regions and prevented the effective implementation of pro-poor policies. Additionally, the weakness and uneven reach of the judiciary encourages corruption and hinders development.

Given this situation, this study proposes the following recommendations:

Strengthen the representative capacity of political parties

- Elaborate initiatives to increase party communication with specific social sectors and party presence in diverse spaces of local and regional participation.
- Improve mechanisms of internal democracy and financial transparency.
- Strengthen the management capacity of activists and their ability to put forward concrete proposals for both short and long-term development.
- Encourage dialogue between intellectuals and politicians to create well-researched and effective policies.
- Strengthen party authority over elected representatives.

Finance politics and control the influence of money

- Publicly finance political parties in relation to their share of the vote and include resources for the development of proposals and the training of activists.
- Establish mechanisms to guarantee equal access to the media.

Electoral and representative reform

- Promote debate and discussion on the possible transition to a bicameral legislature and the elimination of preferential voting.
- Reform regional government to increase citizen representation.
- Revise the current system of assigning regional representatives to more proportionally represent voter preferences.

Encourage dialogue and recognition as conditions for consensus

- Take advantage of favourable national conditions, such as an expanding economy and citizen support for redistribution, to create an inclusive and representative dialogue on pro-poor reform.
- Promote action and public representation as state policy, strengthening the representation and organisation of the poor as well as other social actors.

- Reinforce the role of the National Agreement (*Acuerdo Nacional*) and other institutions as a space for dialogue and the construction of national consensus, keeping in mind the unique circumstances of different regional and local arenas.
- Strengthen Congress's role in the construction of political accords through a more limited parliamentary agenda, increased caucus control over legislative initiatives, a more professional parliamentary staff, and an emphasis on the legislature's oversight function.

Transform consensus into concrete political initiatives

- Translate the political consensus on the need for re-evaluation of the legislative, judicial, and executive powers, reform of the redistribution system, increased efficiency in social programmes, and macroeconomic stability into concrete actions.
- Encourage a dialogue on tax and labour policy among political parties, business representatives and society actors to develop an effective strategy against poverty and exclusion.
- Construct specific proposals and initiatives which are viable on all national and sub-national levels.

Protect Information as a Public Resource

- Establish independent media oversight mechanisms.
- Encourage internal reforms within media outlets to protect citizen rights.
- Improve control over state publicity, especially during electoral periods.

Health Insurance for the Poor

Case Study: Peru

By Pedro Francke

In a major reform to the health care system, in 2001 the Peruvian government initiated the system of *Seguro Integral de Salud* (SIS), or Integral Health Insurance, to extend health insurance to the poor. The programme focuses primarily on infant and maternal health, with 70% of its resources dedicated to the treatment of children under the age of 5, pregnant women and postpartum mothers, but it also covers children and adolescents between the ages of 6 and 17. In addition, for the first time, free coverage was offered for medical emergencies and certain specified population groups. Though the programme has been criticized for under funding its endeavours and failing to reach rural areas, it remains a significant advance towards effective health coverage for Peru's most vulnerable sectors.

The development of this programme was made possible by several political conditions:

- **Need to redefine democracy for the poor:** Fujimori's use of a personalistic and clientelistic relationship with the poor to consolidate his personal power in the 1990s highlighted the need for a transformation of the government's interactions with the popular sector in any new democracy.
- **Consensus around universal health care:** The social impact of the neoliberal reforms of the 1990s and the increased calls from the medical community for universal care created a strong multiparty consensus.
- **Declining popularity of the Toledo administration:** In its first semester in office, the administration of Alejandro Toledo faced declining popularity and saw the SIS programme as a means of winning the support of the poor and other key sectors.
- **Competition within the government:** Internal competition for influence within the government created incentives for actors to take advantage of the favourable political conditions to develop programmes such as the SIS.
- **Lack of political opposition:** Congressional representatives readily accepted a bill that brought their constituents material benefits.

The successful passage of the SIS demonstrates the appeal that the probable political benefits from pro-poor policies holds for politicians, but it also highlights a few important lessons in the design of legislation:

1. Political considerations can often outweigh other factors in determining the approval of a social initiative.
2. Successful programmes must yield concrete results which are both needed and wanted by the population.
3. Social programmes intended to win rapid public support for the government are not always fully implemented and the poor often lack the organisational capacity to press for their rights. Thus, legal advances must be accompanied with enforcement measures to ensure that the government fulfils its promises as well as efforts to empower the poor.

Party Systems and Development

National Report: Venezuela

By Vanessa Cartaya & Claudia Giménez

Key Challenges and Recommendations

Though it was viewed as the model of stable democracy in the early 1980s, the Venezuelan political system began to disintegrate at the end of the decade. The exclusive and clientelistic two-party structure, combined with continuing poverty and a lack of basic social services, led to widespread disillusionment with the political system. This social discontent was manifested in mass protests such as the “*Caracazo*” of 1989 and the triumph of Hugo Chavez’s anti-system platform in the presidential election of 1998.

Since his election, President Chavez has made the fight against poverty a central goal of his administration and his initiatives have brought increased visibility to the problems of exclusion and inequality in Venezuela. Buoyed by oil income, the government has invested in social programmes to promote redistribution and intervened heavily in the economy.

The new political constitution of 1999 sought to transform state-society relations through an emphasis on citizen rights and participation and the consecration of inclusion and the equal distribution of resources as central principles of government. However, the constitution also increased the power of the executive and in seeking to open the political system, it weakened already deteriorating political parties and organisations such as trade unions and business groups. Traditional parties have been unable to adequately address the changing rules of the game and retain very little public support, while rising political actors have yet to build strong organisational bases or overcome the problem of personalistic leadership.

The weakness of representative organisations has reduced the space and willingness for dialogue among those with diverse visions of the country. The political system is extremely polarized, with radically different ideological frameworks at play, and the main actors cannot reach a compromise on necessary pro-poor reforms. Cross-society cooperation decreased further following the 2005 opposition boycott of legislative elections, which removed almost all the opposition from government. The current legislature is dominated by political rather than substantive issues. Most concrete poverty initiatives have been the outcome of unilateral executive action and have resulted in largely assistance-based programmes.

Effective pro-poor reform based on a societal consensus is impossible unless parties are able to restore an environment of mutual tolerance and some minimum agreements for the future. The government as well as the opposition could gain from focusing on concrete themes and reaching viable consensus, but only if they establish rules of the game that guarantee that those accords are upheld.

To this end, this study highlights some possible steps towards meaningful reform:

Promote a culture of deliberation

- Design spaces for social dialogue that encourage the increased participation of diverse social actors and foster greater confidence in the political system.
- Strengthen institutions that develop relations between political actors based on confidence, compromise, and the recognition of common values.
- Utilize increased participation to construct consensus on assessments and solutions, starting with daily issues and moving on to large national problems.
- Recognize political differences and take them into account as part of a mature political dialogue.

Create an agenda from the bases

- Include poor and excluded sectors in all policies that affect them and in the general management of public affairs.
- Encourage these groups to participate and recognize their role as subjects of civil, political, and social rights.
- Strengthen autonomous grassroots organisations that are conscious of their rights and duties within the political system.
- Take advantage of existing social consensus to reform the education, health, and social security systems, guarantee basic protections for vulnerable sectors, and create stronger judicial and public accountability apparatuses.

Construct a society of citizens

- Develop in the population the necessary values and tools to break the clientelistic cycle, focusing on the recognition and exercise of the constitutional rights and duties of citizenship.
- Widen successful local efforts to create space for consensus-building dialogue.

Strengthen representative organisations

- Take advantage of structural change and emerging parties to institutionalize norms which reflect new values and forms of coexistence.
- Conduct debate in a language which allows for the wide exchange of opinions.

- Formulate a comprehensive agenda to strengthen the legitimacy of parties, unions, syndicates, and grassroots organisations.
- Enable parties to re-assume their functions as mediators of collective interests.
- Strengthen organisations which work towards social goals without replacing political parties.
- Develop party leadership that can connect with grassroots communities, acting as facilitators rather than conductors.
- Strengthen internal party democracy, instituting elections for candidates and leaders.

Political reforms

- Encourage a debate on those constitutional norms which restrict political parties, including the prohibition on public financing and the current legislative structure.
- Take steps to increase legislative and judicial capacity and autonomy.

Women's Development Bank

Case Study: Venezuela

By Haydée García & Gabriele Merz

In honour of International Women's Day, on 8 March 2001 Venezuelan President Hugo Chávez created *Banmujer*, or the Women's Development Bank, an autonomous organisation targeted at helping the poorest Venezuelan women secure loans and start cooperative businesses. The programme is distinctive among micro-finance initiatives because it actively seeks out users in poor communities and also provides non-financial services to women, including classes on female empowerment and sexual health. Banmujer has overcome deep political divisions in Venezuela to win acceptance throughout the country and its loans have led to significant job creation as well as an increase in the nutrition, health care, and quality of life of its users.

Several actors and political conditions helped create this programme, including:

- **Growth of the Microfinance Movement:** Beginning with the Banco Grameen in Bangladesh in 1976, microfinance gained recognition as an effective tool against poverty and in 1990 the *Fundación Mendoza* became the first microfinance bank in Venezuela.
- **Feminization of Poverty:** Women were hardest hit by rising poverty in Venezuela and suffered high unemployment and informal sector participation rates, creating an urgent need for an anti-poverty initiative targeted at women.
- **Women's Organisations:** Women's rights groups, in cooperation with female politicians, secured important legal protections for women in the new Constitution of 1999, and were essential to building support for Banmujer. The idea for this bank first came from the National Women's Institute.
- **Presidency:** Hugo Chavez adopted the idea of a women's bank as part of his pro-poor agenda and the strong presidentialist system of government allowed him to create Banmujer with little institutional opposition.
- **Nora Castañeda:** The first president of Banmujer, Castañeda, was crucial in the development of its vision and operating model.

The success of Banmujer within a polarized political environment can provide a few key insights to pro-poor politicians:

1. Women's issues can transcend political divisions, both by uniting women who are ordinarily political rivals and by addressing urgent needs seen to be above politics.
2. It is easier to win opposition support for inclusionary initiatives with long-term, sustainable development goals than by implementing short-term assistance programmes that primarily serve to bring political benefits to the government.
3. Strong leadership is essential, particularly in a divisive political context. In this case, the personal prestige and perceived independence of Banmujer's president was crucial to its popularity and legitimacy.

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The Asociación Civil Transparencia is a non-profit organization that promotes democratic institutions and an active civil society in Peru. In its 13 years of existence, Transparencia has supported electoral observation processes, as well as monitoring of the Congress, Acuerdo Nacional, and local governments. Transparencia also promotes dialogue and consensus building on political reform with civil society and political parties.

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