Democracy and Poverty Reduction Strategies in the Latin American Heavily Indebted Poor Countries 1999-2006

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Abstract


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This thesis is about the Poverty Reduction Strategy (PRS) approach and its implementation in three Latin American countries, Bolivia, Honduras and Nicaragua. The PRS approach emerged in response to international campaigns around debt relief and international convergence around poverty reduction objectives. The approach implied a role for the state in coordinating poverty reduction interventions, and a role for civil society to participate in these processes, through the principles of ownership and participation. This study engages with the extensive literature on the PRS process in Latin America and assesses the extent to which it offers an adequate account of how donor practices, based on a certain set of theoretical assumptions about the state and civil society, affected outcomes, and whether the impact of politics within these three case study countries is adequately captured.

To address this research agenda, this thesis offers a multi-layered analysis to complement top-down approaches with state-centred, political, and bottom-up explanations for change in the region. Combining this analytical approach with comparative insights of the experiences in the three cases offers a unique perspective on the PRS experience. The study examines the implementation of neoliberal reform prior to the PRS approach, highlighting how it shaped politics and society, but also how neoliberalism was contested to set the context.

Examining the PRS processes, the study concludes that in part, the disappointing outcomes in these three cases can be attributed to donor actions, and in particular to the incoherence and inconsistency of the theoretical understandings that informed implementation of this approach. However, the study also finds important limits to donor influence in each case and highlights how entrenched political dynamics, weak state capacity and limitations to the capacity of civil society to deliver change particular to each case ultimately determined the trajectory and ‘death’ of the PRS processes. The contribution of this study lies in the multi-level analysis that recognises the particular structural features of the Latin American region, the evolution of the state and the nature of civil society in each case. The findings contribute to broad debates around aid policy and its evaluation, but also highlight key features of the state, of civil society, and of their respective roles in development and democracy. In sum, this study reinforces the importance of agency, and of examining the contingency of political and institutional configurations for explaining change.
Declaration

I declare that the work in this thesis is the work of the candidate alone and has not been submitted to any other University or higher education institution in support of a different award. Citations of secondary works have been fully referenced.

Signed

Sarah Hunt
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Limerick, September 2011
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<tbody>
<tr>
<td>AMHON</td>
<td>Association of Municipalities, Honduras</td>
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<tr>
<td>CAFTA</td>
<td>Central American Free Trade Agreement</td>
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<tr>
<td>CCER</td>
<td>Civil Society Coordinating Group for Emergency and Reconstruction, Nicaragua</td>
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<tr>
<td>CCERP</td>
<td>Consejo Consultivo para la Estrategia de la Reducción de la Pobreza/ Consultative Council for the PRS, Honduras</td>
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<tr>
<td>CDF</td>
<td>Comprehensive Development Framework</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<td>CIDSE</td>
<td>International alliance of Catholic development agencies</td>
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<tr>
<td>COHEP</td>
<td>Consejo Hondureño de la Empresa Privada / Honduran Private Sector Council</td>
</tr>
<tr>
<td>CONPES</td>
<td>Consejo Nacional de Planificación Económica y Social/ National Council for Economic and Social Planning, Nicaragua</td>
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<tr>
<td>CSUTCB</td>
<td>Confederación Sindical Única de Trabajadores Campesinos de Bolivia / Bolivian</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development (UK)</td>
</tr>
<tr>
<td>EBRP</td>
<td>Estrategia Boliviana de la Reducción de la Pobreza/ Bolivian Strategy for Poverty Reduction</td>
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<tr>
<td>ECLA</td>
<td>Economic Commission for Latin America and the Caribbean</td>
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<tr>
<td>ERCERP</td>
<td>Estrategia Reforzada del Crecimiento y la Reducción de la Pobreza/ Reinforced Strategy for Economic Growth and Poverty Reduction, Nicaragua</td>
</tr>
<tr>
<td>ERP</td>
<td>Estrategia de la Reducción de la Pobreza/ Poverty Reduction Strategy, Honduras</td>
</tr>
<tr>
<td>FONAC</td>
<td>Foro Nacional de Convergencia / National Convergence Forum, Honduras</td>
</tr>
<tr>
<td>FOSDEH</td>
<td>Foro Social de la Deuda Externa Honduras / National Social Forum for External Debt, Honduras</td>
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<tr>
<td>FSLN</td>
<td>Frente Sandinista de Liberación Nacional Nicaragua</td>
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<tr>
<td>HIPC</td>
<td>Heavily Indebted Poor Country</td>
</tr>
<tr>
<td>Acronym</td>
<td>Definition</td>
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<tr>
<td>IDB</td>
<td>Inter-American Development Bank</td>
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<td>IFIs</td>
<td>International Financial Institutions</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IPE</td>
<td>International Political Economy</td>
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<tr>
<td>ISI</td>
<td>Import substitution industrialisation</td>
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<tr>
<td>ISS</td>
<td>Institute for Social Studies, The Hague</td>
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<tr>
<td>MAS</td>
<td><em>Movimiento al Socialismo</em>, Bolivia</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goals</td>
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<tr>
<td>MNR</td>
<td><em>Movimiento Nacionalista Revolucionario</em>, Bolivia</td>
</tr>
<tr>
<td>MSC</td>
<td>Mechanism for Social Control, Bolivia</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<tr>
<td>PMRTN</td>
<td><em>Plan Maestro de Reconstrucción y Transformación Nacional</em> / National Master Plan for Reconstruction and Transformation, Honduras</td>
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<tr>
<td>PND</td>
<td><em>Plan Nacional de Desarrollo</em> / National Development Plan, Nicaragua</td>
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<tr>
<td>PROCONSULTA</td>
<td>Consultative process for the ERCERP, Nicaragua</td>
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<td>PRS</td>
<td>Poverty Reduction Strategy</td>
</tr>
<tr>
<td>SETEC</td>
<td><em>Secretaría de Coordinación y Estrategias de la Presidencia</em> / Technical Secretariat (of the Presidency), Nicaragua</td>
</tr>
<tr>
<td>SIDA</td>
<td>Swedish International Development Agency</td>
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<tr>
<td>UDAPE</td>
<td><em>Unidad de Análisis de Políticas Económicas</em>/Economic Policy Analysis Unit, Bolivia</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNAT</td>
<td>National Technical Support Unit, Honduras</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
</tr>
<tr>
<td>UNRISD</td>
<td>United Nations Research Institute for Social Development</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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Chapter One: Introduction

1.1 Overview

The Poverty Reduction Strategy (PRS) approach emerged in 1999 as part of the conditionality attached to debt relief under the second Heavily Indebted Poor Countries initiative (HIPC II) applied throughout the developing world. The PRS approach emerged from a number of issues facing the least developed countries in the 1990s. From the early 1980s, developing countries implemented a series of structural adjustment packages and associated aid programmes. The initial goals of macroeconomic stabilisation were more or less achieved by the mid-1990s; however, developing countries recorded only modest levels of growth and experienced persistently high levels of external debt and poverty. There was also a perceived problem in aid relations between bilateral and multilateral donors and developing country governments: that policy conditionality was failing to provide the incentives to get poverty reduction onto national agendas in a sustainable way. Finally, there was recognition that achieving poverty reduction goals would require greater coordination among donors and government actors, as well as involving a range of actors beyond the state, especially the private sector and civil society organisations. In response to these issues the PRS approach proposed the generation of nationally-owned strategies, with the participation of civil society, and other stakeholders in the process in order to channel debt relief to poverty reduction activities.

Bolivia, Honduras and Nicaragua have been ranked among the poorest and least developed countries in the Latin American region since the 1980s. As a result of high levels of external indebtedness and poverty, by the late 1990s these countries ranked alongside the least developed countries in the world and qualified for the second
HIPC initiative. By 1999, after over two decades of democracy and neoliberal reform, these states had not delivered poverty reduction even in the presence of large aid flows and extensive reforms associated with them. In this period, civil society actors increasingly highlighted the failings of this development paradigm while at the same time political dynamics inhibited their potential to bring about change. In these countries, there were expectations that state-society relations would change, at the very least with a central role for the state in poverty reduction, and a role for civil society participation in this. The PRS approach ascribed roles for both the state and civil society in poverty reduction, and as such there were implications for both development and democracy. This study examines the dynamics of these relationships around the PRS agenda from 1999 through to the changes of government in 2006 in Bolivia and Honduras and in 2007 in Nicaragua.

The World Bank presented the PRS approach as something revolutionary which illustrated a shift in focus towards poverty reduction and empowerment for developing countries (Klugman 2002:2), facilitating locally relevant strategies for combating poverty. However, critics viewed the PRS approach as an enhanced version of structural adjustment conditionality which would facilitate even greater control for the World Bank and the International Monetary Fund (IMF) in governance and institutions in developing countries (Craig and Porter 2003:4-5). Much of the debate around the PRS process is concerned with the extent to which a new form of discipline was imposed on developing countries, and the motives and role of aid donors in these processes. In assessments of the initial experiences of the implementation of the PRS approach evidence is used to illustrate both nascent changes in policy processes that might lead to poverty reduction, as well as demonstrations of greater control and influence in policy processes for donors like the World Bank (Stewart and Wang 2003:15). However, there is little evidence to suggest that the PRS approach was successful in overhauling
public policy processes associated with poverty reduction, or that the PRS approach has been directly responsible for improvements in poverty and social indicators. While some changes have been recorded, the PRS approach, particularly in terms of national ownership of development strategies did not take root beyond the initial phases of implementation (Booth 2005:3).

The PRS approach was cautiously welcomed by international civil society networks which had been campaigning for debt cancellation, and for a greater role for civil society organisations in national poverty reduction processes (Yanacopulos 2004:723-4). The requirement for strategies to be drawn up with the participation of the poor gave an opportunity for actors previously excluded from policy-making to have voice and influence. At its most optimistic, it was hoped that participation would not only deliver benefits in terms of better quality strategies and partnerships for achieving poverty reduction goals, but also generate ownership among the broader population of the strategy (McGee and Norton 2000:13-14, World Bank and IMF 2005:3). In turn it was hoped this would serve as a basis for holding governments accountable to poverty reduction commitments, democratising policy-making, and making the poverty reduction efforts sustainable. Consultations generated resources and spaces for civil society participation at national and sub-national levels, and directed public attention to poverty issues. However, participation tended to be dominated by certain actors, especially non-governmental organisations, with other civil society actors, such as trade unions, political actors, women and the poor themselves being generally under-represented (UNRISD 2010:283). Most importantly, the input of civil society participants was restricted to a limited agenda, and in the final strategies, this input was rarely taken into account (Oxfam 2004:6). This caused great disillusionment among civil society actors about the PRS approach and poverty issues did not retain centrality in national agendas (Trócaire 2006:14).
Explanations for the failure of the PRS approach to achieve its stated objectives focus primarily on the role of donors in undermining ownership and participation. While conceding some of the theoretical weaknesses of the PRS approach, by highlighting the experimental nature of its implementation across the developing world, the literature gives greatest attention to evidence of the over-involvement of donors. In the final strategies produced by developing country governments, the priorities of donors tended to be highly visible, suggesting that donor involvement dominated the PRS agenda and undermined the generation of national ownership (CIDSE 2005:9, Stewart and Wang 2003:28). More radical critiques highlight that the neutralisation of participation in this way damaged the credibility of both democratic spaces for participation and the legitimacy of these civil society actors in development (Brown 2004:244-5). However, while the impact of donor involvement is similar across cases, the evidence also points to the theoretical weakness of the PRS approach to account for politics. As a result the focus on donors may underplay the importance of domestic dynamics of state-society relations. Therefore, this literature may offer an incomplete analysis of the implementation of the PRS approach (Lazarus 2008:1219) and what the process reveals about the capacity of the state to develop and deliver national policy with participation for non-state actors, the role of civil society as an actor in democratising policy-making and delivering poverty reduction, and state-society relations.

Key to this argument is the fact that the PRS approach emerged from an evolving framework of international aid and debt policies. It was also applied to country contexts already marked by the influence of external debt, aid relations and attempts to overcome poverty. In Latin America in particular, the debt crisis and economic recession meant that countries across the region that turned to the IMF as the lender of last resort (Taylor 1995:147). By the 1990s structural adjustment was the norm across the region, with an initial focus on macroeconomic stabilisation by reducing hyperinflation and fiscal...
deficits. Later there was greater focus on reducing the role of the state in the economy, privatising state-owned enterprises, and reforming and modernising state institutions. The application of these policy conditions was supported and rewarded by aid flows from donors who supported poverty reduction initiatives through sector-based programmes and social funds (Kirby 2003:86). Meanwhile, the proliferation of civil society organisations involved in the delivery of aid and social services, especially Church-based and other local non-governmental organisations (NGOs) changed the composition of civil society. For these actors new policies and modalities for designing and delivering social services and aid programmes brought new opportunities for participation (Molyneux 2008:782). In sum, neoliberal reform had already influenced the role and capacity of the state and the role and nature of civil society, and this context served as the pre-cursor to and the setting into which the PRS approach was introduced.

The PRS approach was also introduced to meet the perceived failures of neoliberal reform to accelerate growth, resolve external debt and reduce poverty. In the Latin American region, disappointing outcomes have been attributed to both contradictions in the prescriptions of policy conditionalities attached to international debt and aid frameworks as well as issues in their implementation (Vos et al. 2003:20). While the exact weight of these factors continues to be debated, it is clear that national political dynamics contributed to the fact that by the late 1990s these policy reforms had been implemented in a piece-meal, half-hearted way, and competed with other policy agendas (Weyland 2004b:137). Some reforms were politically unpopular and the nature of party competition inhibited policy continuity between regimes. Although some parts of the state system were effectively penetrated and modernised with the support of donors, other parts continued to respond to clientelist political relations. Across the region, business elites favoured reform, but at the same time penetrated certain key areas of the state to extract
concessions, undermining the drive to modernise the state. Alongside this, corporatist relations persisted, particularly with public sector unions, which resisted reform and continued to have power to extract wage conditions from successive governments. In this mix, the privileging of certain forms of policy-making and certain state and civil society actors in the PRS process were not guaranteed to prevail, even with donor backing. This study seeks to highlight that the PRS approach in Latin America began in this context and interacted with these national dynamics. While donors certainly had a major influence on how the PRS process interacted with different actors, underlying political dynamics were also important in shaping and constraining the potential and the actual trajectory of the process. This study addresses the extent of the imbalance in the literature by examining the experience of the implementation of the PRS approach in three case study countries in Latin America.

1.2 Research Aims and Significance

In light of this, this study has a number of central aims. It seeks to address the imbalance in the literature by offering a more complete account of how internal political dynamics affected the PRS process and the impact of the experience on state-society relations in these three cases. As part of this, the study examines the theory of change that influenced the PRS approach and assesses it in light of its implementation in three Latin American countries. From the analysis of these experiences, it draws conclusions about the nature of state-society relations in these three countries and the prospects for more democratic policy-making processes and better outcomes in poverty reduction.

The following research questions are used to guide the study:
To what extent did neoliberal reform change the role of the state, the nature of civil society and state-society relations prior to 1999?

What theoretical understanding of the link between democracy and development, of the nature and role of the state in development and of the role of civil society and its relationship to the state informed the design and implementation of the PRS processes in Bolivia, Honduras and Nicaragua?

To what extent is this theoretical understanding coherent, and what are the main areas of inconsistency? How and to what extent did these theoretical understandings affect outcomes in these three cases?

In light of these findings, what can these experiences reveal about the role of the state, and civil society, in democracy and development?

1.3 Theoretical Framework

The theoretical framework draws on two sets of literature which often overlap: these can loosely be described as belonging to development studies and to political science.

This study discusses issues of international public policy relating to developing countries. The Poverty Reduction Strategy approach is examined using different theoretical approaches to international development. Liberal approaches to international relations, such as those offered by Keohane and Nye (1989) highlight the normative aims of international governance, the mandate of liberal international financial institutions (IFIs) such as the World Bank and the IMF and reflect dominant interpretations of development and democracy. However, to critically analyse this approach, insights from realist approaches which emphasise the distribution of power in
the international system are crucial for highlighting how these norms, institutions and discourse reflect the asymmetry of power between developed and developing countries, for example, works by Eichengreen (1995), Gilpin (1987) and Taylor (1995). Dependency theories complement these insights by offering a historical account of how global inequality has been perpetuated and of the impact on the developing world (Kay 1989:4). In the current phase of financial or neoliberal globalisation, there has been a tendency at the international level to focus on how states have lost power to the market, particularly in developing countries, and the loss of sovereignty (Robinson 2003:12).

In this context, this study examines the rationale of the IFIs for introducing the PRS approach and the extent to which it formed part of the structural constraints of the prevailing international economic and political order. However, within this, the study is concerned with analysing the nature of state-society relations around this particular policy process which was introduced as part of the structural constraints imposed by the current international political and economic order. International political economy (IPE) approaches to development at national level are suitable for this study for two reasons. Firstly, IPE allows a critical analysis of dominant neoliberal norms at international level, identifying the prevailing international political and economic orders as the universe in which development takes place (Hettne 1995:223). Secondly, within this, it moves beyond a purely structural analysis of processes in developing countries, by allowing an examination of how states respond within these external constraints, thereby re-introducing agency. Within the IPE approach there is a particular concern with the capacity of the state to deliver economic development (Sørensen 2006:58). To inform the analysis of state strength, the literature on the developmental state is particularly relevant. This literature emerged from the experience of the so-called East Asian Tigers in achieving rapid industrial transformation in the post-war era (Woo-Cumings 1999:2),
highlighting the importance of the state for countries to successfully participate in the globalised economy. Chalmers Johnson reflected on the Japanese experience, stating that the capitalist developmental state not only ‘flouted the rules of the invisible hand but also cast doubt on dependency’, acknowledging the role of the state, without implying ‘sole responsibility’ (Johnson 1999:33).

The use of the comparative method in this approach and the focus on the role of the state vis-à-vis the market, and on the outcomes in terms of growth and socio-economic well-being in this literature addresses the concern of this study with understanding the failures of neoliberal reform and democracy to produce better outcomes in terms of growth and poverty reduction in different countries Latin America. In a major report in 2004, the United Nations Development Programme (UNDP) argued that for the first time in the history of the region most countries fulfilled the basic requirements of democracy in terms of political liberties and elections. However, at the same time, public opinion showed that states and governments were not perceived to be doing very well in dealing with either poverty or inequality (UNDP 2004:34). This was echoed in a recent report from United Nations Research Institute for Social development (UNRISD), summarising experiences with combating poverty reduction and inequality across the world, which stated that:

Although democracy offers opportunities for participation and contestation for policy making, redistributive outcomes cannot be taken for granted (UNRISD 2010:283)

These concerns with developmental outcomes are reflected in the political science literature on democratisation in the Latin American region. In particular this study is informed by works which argue for an analysis of democracy in the region that goes beyond a preoccupation with procedural issues around elections and the rule of law to consider substantive issues of social justice (Held 1987, Garretón 2003, Lievesley 1999). In particular, an argument is made
for considering democracy as a system which should fulfil two aims: peace and order, and efficacy, described as socio-economic well-being, in terms of economic growth and social welfare (Garretón 2003, Torres-Rivas 1996b, Whitehead 2001b). This resonates with the literature on the political economy of the developmental state, in which these elements are described as the two functions of a modern state (Leftwich 2008:17, Sørensen 2004). In addition, globalisation is not posited as the cause of weak states in the Latin American context, rather greater emphasis is placed on the unique historical trajectory of the region and the need to look at other elements at national level, which resonates with the IPE approach (UNDP 2004).

Therefore, analysing the nature of democracy and poverty reduction in these cases, and the impact of the PRS process, requires an approach for examining the capacity, or strength of the state. This draws on the insights of institutional approaches to the state, which overlaps with the literature on the developmental state. First, challenges to the authority of the state, in terms of the monopoly on the use of force with state boundaries, need to be identified to determine the completeness of the state. Then, in developmental contexts, the concepts of state autonomy, which is the ability of the state to act without being captured by one set of interests in society, and embeddedness, which captures the extent and ways in which state institutions respond to different groups in society, permit an analysis of the capacity of the state to perform its functions towards economic performance (Evans and Rueschemeyer 1986:68-9, Skocpol 1986b:9). A historical reading of the dynamics of these institutions permits the identification of forces for continuity and change in each case and allows for a comparison across cases (Thelen 1999:396). This is informed for the period in which neoliberal reforms and the PRS process were introduced in Latin America by drawing on the comparative literature on the region (Garretón 2003, Mahoney 2001, Silva 2009, Torres-Rivas 2007).
This theoretical approach to the role of the state in development and democracy needs to be complemented by an analysis of the role of civil society, in order to comprehensively examine the experience of the PRS process. As a starting point, this study is informed by theoretical approaches to the state which hold that the state is in fact part of society, and therefore any analysis of the state must also look at society. In particular Jessop (2001:167) argues for a strategic-relational approach to the study of state-society relations, respecting the fact that they are mutually constitutive, and the need to unpick this 'logic'. For analytical purposes, a division between state and society is assumed that draws on a broad literature around civil society (Cohen and Arato 1992, Pierson 2004:54). A pluralist approach is taken to inform the analysis of groups which populate civil society in each case (Smith 2006:36-7), but this is complemented by a critical analysis of power relations among these groups and how they relate to the state, to avoid benign assumptions about the role of the state or to presuppose positive outcomes from the existence of associational life (Edwards 2004:36). The theoretical approach to civil society is also shaped by the literature on civil society in Latin America and the developing world, which highlights the need to root the experience of social movements and civil society organisations in the particular historical experience of the Latin American region (Haggard and Kaufman 2008, Foweraker 1995, Mkandawire 2004).

The analysis of the role of civil society in democracy and development draws on the work of authors who argue for a conception of civil society which is the space of implicit freedom or an embryonic public sphere, but which requires the existence of a state (Chandoke 1995, Kumar 1993). In this, the study acknowledges that civil society is a contested concept. The study draws on the work of authors who stress the nature of different versions of civil society in development discourse (Edwards 2004, Kaldor 2003) in order to address the most suitable way of assessing participation in the PRS process, and the
implications for both development and democracy. Moreover, the study is informed by theories of civil society that embrace the impact of globalisation, rather than simply the interaction between the state and civil society (Sørensen 2004:190). Given the focus on aid relations, this is extremely important since civil society as well as the state have been influenced and constrained by the forces and actors produced by globalisation. The divisions offered by Kaldor (2003:8-10) between neoliberal, activist and post-modern ‘versions’ of civil society offer a starting point for understanding the contested role for civil society in global and national-level development and democracy.

This approach informs a layered analysis of state-society relations within a globalised context. The analysis begins with a consideration of how the PRS approach emerged from the international context of development, before then considering its impact on developing countries, in terms of the roles for the state, and for civil society in development. The nature of the state in developing countries is examined using an institutional approach borrowing from both the developmentalist perspective and the literature on democratisation. These offer a starting point for considering the dynamics of the interaction of the state with society within a globalised context. Civil society is analysed in light of an ongoing theoretical debate around the concept and its association with both democracy and development in different contexts. Again, the role of civil society is considered in terms of its interaction with the state in a globalised context, completing the dynamic approach. Finally, this layered approach offers a means of drawing conclusions around what the experience of the PRS approach, as an example of international public policy, reveals about development and democracy in a globalised world.
1.4 Methodology

Literature review is a central research method for this study, covering two broad areas which occasionally overlap; namely the development studies literature and political science literature. The study uses both of these literatures to develop an analytical framework that draws on the strength of both to provide a more complete and effective approach to assessing the implementation and outcomes of the PRS approach. Case studies, based on primary evidence, are then used to test the strength of this analytical framework and to establish findings. To complement and interrogate the findings from the literature reviews, and to develop a richer synthesis of sources for the case study analyses, primary research was carried out using archives and interviews on field trips to each case study country. The case studies were self chosen selected on the basis of deliberate characteristics – the three countries in which the PRS was implemented. The implementation of the PRS approach in these three countries offers particular insights into issues around structural reform, aid conditionality and poverty reduction embodied in the PRS approach. Examining the PRS experience in three Latin American cases also offers an understanding of issues of political development in the Latin American region.

The development studies literature can be roughly divided into two. The first part covers international public policy and its implementation with particular focus on the frameworks for aid, debt relief and poverty reduction embodied in the second HIPC initiative. It includes general studies and surveys of the PRS experience across the developing world covering the general ideas of the PRS approach and general experiences in the seventy countries in which it was introduced (Eberlei 2007, IEO 2003b, Stewart and Wang 2003). Many of these studies were produced by or commissioned by multilateral and official bilateral donor agencies, international civil society organisations and networks, and academics associated with
these debates. From this literature the principal debates around the theory of change behind the PRS approach are drawn out and a framework for analysing outcomes developed. The second part of the development studies literature encompasses detailed case study analyses of the experiences of the PRS approach in the three case study countries. An in-depth comparative and thematic series analysing the three countries, comprising annual regional, country and thematic reports, was carried out over five years by the Institute for Social Studies (ISS) in The Hague, commissioned by the Swedish International Development Agency (SIDA) (Vos et al. 2003, Vos and Cabezas 2004, Vos et al. 2006, Komives and Dijkstra 2007, Dijkstra and Komives 2008). In addition to this series, a number of other country analyses and studies have been produced by the World Bank, the IMF, civil society organisations and academics. Some of these deal directly with the cases studies in this project (IEO 2003a, Hunt 2006, Molenaers and Renard 2005, Ruckert 2007, Seppänen 2003, Woll 2006, World Bank 2002), while others deal with other experiences of the PRS process but shed important light on the questions being investigated (Brown 2004, Craig and Porter 2003, Gould and Ojanen 2003). In addition, official sources such as the national strategies (Gobierno de Bolivia 2001, Gobierno de Honduras 2001, Gobierno de Nicaragua 2001) and statistics and reports offer evidence of the nature of the processes, outcomes and impact of the experience in each case. From this literature the details of the PRS experience in each country are set out and the major debates in the development studies literature identified.

The second body of literature review covers more general political and historical works on the Latin American region and on theories of development, democracy, the state, civil society and state-society relations (Bakewell 1997, Foweraker et al. 2003, Kay 1989, Kirby 2003, Panizza 2009, Robinson 2003, Silva 2009, Whitehead 2004). From this literature a broad historical overview of geopolitics and the development of the region is drawn, with particular reference to the

The case studies were drawn up from desk-based literature reviews and two field trips, one to Honduras and Nicaragua in January 2009, and one to Bolivia from September to November 2009. The archival work focused on official documents from governments and international organisations, especially the World Bank, much of which is available online (CEPAL 2010a, World Bank 2005, World Bank 2006, World Bank 2008a, UNDP 2004). A series of interviews was held with individuals who had been involved in the PRS process in each country, or who had general political analysis to offer around public-policy making and state-society relations. An open interview method was used with all informants in order to facilitate discussion of the questions guiding the study and more general contextual analysis. In total 60 unstructured one-on-one face-to-face interviews were conducted, the majority in Spanish. The choice of interviewees was influenced by an identification of the key actors involved in the PRS process between 1999 and 2006 in each case. The number of interviews in each country was limited by time constraints in each country and by the availability and willingness of targets to be interviewed. Other limitations included the time lapse between the date of the interview and the processes discussed and the impact of
current events on the perceptions of the interviewee of the relevance and impact of the PRS process in retrospect. (*Appendices I and II contain a detailed field work report and a full list of interviewees*).

### 1.5 Chapter Synopsis

The structure of this thesis is as follows:

Chapter Two offers a literature survey of the PRS experience detailing competing perspectives on its origins, influences and evaluation. An overview of international debt and aid frameworks and the role of the international financial institutions are set out with reference to how they interact with more general trends of globalisation. The issues raised by competing interpretations of the PRS approach for evaluating the experiences in a particular country are highlighted.

Chapter Three reviews the general review of the literature on the history and geopolitics of the Latin American region with particular attention to the relevance of theories of development, democracy, the state and civil society for understanding change. Three sets of explanations are examined: structural or regional explanations, state-based explanations and society-centred explanations. The relative strength of different explanations and the need for an integrated analytical approach for evaluating the experience of the PRS approach in the case study countries is discussed.

Chapter Four synthesises these two literature reviews to propose a multi-layered analytical framework for analysing the PRS process in the three case study countries. This approach aims to move beyond donor-centric debates around the aims of the PRS approach to capture the relevant political and historical dynamics that contributed to outcomes for the state and for civil society in turn. Finally, a method for combining these findings to offer broader
insights into state-society relations and politics across these cases is outlined.

Chapter Five begins with a historical overview of the evolution of the state and civil society in each of the case study countries from independence until democratisation in the 1980s, with reference to regional trends. Building on this, an examination of the nature of the state and civil society under democratisation and neoliberal reform is offered, covering the period until 1999. The analysis of the state focuses on the dynamics of electoral and political party competition, influence from donors and civil society groups, and an assessment of the capacity to design and deliver policy. To complement this a characterisation of the nature and evolution of civil society actors in each country is drawn including an analysis of the mediation of state-society relations by political parties, business elites, professional associations, trades unions and other civil society actors such as Church-based organisations, social movements, indigenous associations and various forms of NGOs, including national umbrella organisations and advocacy groups. Finally, the influence of aid on shaping the nature and role of the state and of civil society in the 1990s is considered, in order to establish the context immediately prior to the PRS process in each case.

Chapter Six applies the analytical framework to the experience of the state in the PRS process in the three case study countries. The role and capacity of the state in distinct phases of the PRS process is set out beginning with the design of interim strategies, the facilitation of participation, the elaboration of the final strategies, and the analysis then considers the elaboration of ‘second generation’ strategies and the institutionalisation of participation. The extent to which donors actions influenced the state and directly determined the outcomes of the PRS process is considered and the implications for the PRS approach and for the state are determined. Finally, the PRS process is situated in a broader context in each case to assess the independent
impact of changing political dynamics across the three cases, and to reveal deeper issues around the nature, role and capacity of the state in these cases.

Chapter Seven applies the analytical framework to the experience of civil society in the PRS process in the three case study countries. Civil society engagement with the poverty reduction agenda, and with spaces offered for participation, is examined throughout the evolving PRS process in each case. The ways in which donor actions influenced and undermined civil society participation, and the implications for civil society and democracy are assessed, and the repercussions for the theory of change underpinning the PRS approach are discussed. Finally, the nature and capacity of different civil society actors in the PRS process are analysed in terms of their relationships to political parties, policy-making processes and the state to determine how underlying political dynamics affected civil society participation, and what this reveals about the role for civil society vis-à-vis the state in development and democracy.

In the final chapter, the theoretical and empirical arguments are summarised and further discussed. Firstly, an overview of how the analytical framework met the requirements of the research agenda is given. Secondly, the findings about the role of the state, and of civil society in these cases through the application of this analytical framework and reviewed, and overall conclusions are offered about the theory of change underpinning the PRS approach and importance of national political dynamics in these contexts. The implications of the theoretical and analytical framework are scrutinized, and from the findings, a number of suggestions for future research are offered.
Chapter Two:
Literature Review –
Development, Debt and Poverty Reduction

2.1 Introduction

This chapter reviews the development studies literature to identify the origins, influences and evaluation of the Heavily Indebted Poor Countries (HIPC) initiatives and the Poverty Reduction Strategy (PRS) approach and draws out the key debates relevant for this study. The next section starts with a general historical overview of the international political economy of development since the early 1980s. The changing roles of international financial institutions from the 1980s to the late 1990s are detailed, with particular attention to the roles of the World Bank and the IMF in overseeing the establishment of a neoliberal architecture for aid, debt and poverty reduction in the least developed countries. The implications of this neoliberal framework for the role for the state, and for civil society in development are examined with reference to different international political economy perspectives. The section concludes with a general account of how this framework shifted to include debt relief for the poorest countries.

The third section considers changes in development thinking in this period in more detail. The extent to which alternative approaches to development influenced the stance of neoliberal institutions such as the World Bank is analysed, bringing greater attention to poverty reduction and participation. In relation to these elements the changing debates around the appropriate role for the state and for civil society in development are drawn out, and the emergence of the first and second Heavily Indebted Poor Countries Initiatives (HIPC I
and HIPC II) are situated in this context. The fourth section sets outs the principles and objectives guiding the PRS approach on its launch in 1999 and interrogates the extent to which it represented a new departure for development policy and practice. Particular attention is paid to the assumptions about the role of the state and the role for civil society. A range of assessments of the impact and outcomes from the PRS are examined, and their strengths and limitations are assessed in light of the aims of this study.

2.2 Neoliberal development and the origins of the HIPC initiatives

Development as a concept and a project dates from the post-war era. After the reconstruction of Europe under the Marshall Plan, it was believed that countries beyond the industrialised nations of Europe, North America and Japan could employ strategies to ‘catch-up’. There was a concern with how to modernise former colonies in areas such as Latin America and Asia and from the 1950s in newly independent states in Africa. Early approaches to development were guided by the paradigm of modernisation, which posited the need for a ‘big push’ of capital for countries to industrialise, grow rapidly and continue on the stages of modernisation with the transformation of societies. Development was understood as a national process, guided by state-led planning of processes for the required economic and social changes. In the context of the Cold War, there were fundamental ideological disagreements between Liberals in the West and Communists in the Soviet bloc on both the means and the ends of modernisation, but there was a shared focus on a role for the state in economic planning and a need to ‘catch-up’ with the most industrialised economies (Nederveen Pieterse 2001).

Outside the Soviet Bloc, the post-war international economic order was dominated by the Bretton Woods institutions. This system
consisted of three sister organisations dealing with international trade, finance and currency affairs. In the context of the Cold War, the international aspirations of these organisations were eclipsed by the unilateralism of the United States. The role of an international trade organisation was partially covered by the General Agreement on Trade and Tariffs until the creation of the World Trade Organisation in 1995. The principal function of the International Bank for Reconstruction and Development, the most important arm of the World Bank, was to offer financing for development, through concessional lending for less developed countries, rather than for the reconstruction of Europe, which took place under Marshall Aid. The World Bank became particularly relevant for development in the 1960s in the absence of extensive sources of capital were required to facilitate the 'big push' policies (Woods 2001:278). The International Monetary Fund (IMF) was established to resolve balance of payments and currency crises to prevent crisis in one state destabilising the entire international financial system.

The role of these institutions changed from the 1970s with the formation of the Oil and Petroleum Exporting Countries (OPEC) group. This led to a series of increases in oil prices, contributing to a recession in industrialised countries, and which increased the cost of development more expensive. At the same time, a glut in international credit led private international financial institutions to offer huge amounts of financing to leaders in developing countries across Africa, Asia and Latin America at low interest rates. By the end of the decade interest rates had soared leading to unsustainable levels of external debt, hyperinflation and rapidly declining production in developing countries. In particular, the volumes of rising levels of debt in Latin America were sufficient to pose a threat to the stability of the international financial system. The Third World debt crisis led to a crisis of the very idea of development (Nederveen Pieterse 2001). The failure of development was threatening prosperity in the
industrialised world, and the idea that greater economic interdependence was inherently beneficial for all was cast in doubt.

From a liberal perspective of international political economy, international financial institutions had an important role to play in resolving the debt crisis, ensuring the conditions for the stability and development of the entire international economy. In addition, in a more interdependent world, international financial institutions were needed as a space for cooperative solutions to manage the international economy, for the benefit of all countries (Kaminsky and Pereira 1996:21-22). The liberal account of and prescriptions for resolving the debt crisis of the 1980s is essential for this study with its concern with understanding the normative assumptions behind the evolving frameworks put in place in its aftermath by the IMF and the World Bank, on behalf of the countries they represent. The debt crisis was blamed by liberals on irresponsible, illiberal states and policy failures, which called for intervention. From the early 1980s, the IMF served as the intermediary for the collective interests of partner countries, becoming the overseer of debt restructuring negotiations. The IMF assumed the power to intervene in developing countries, because as the lender of last resort to indebted countries across Africa, Asia and Latin America, the IMF became the gatekeeper for international finance for developing countries, ensuring adherence to conditions (Gilpin 1987:319). In the absence of access to credit for finance, the World Bank became an important source of concessional finance for developing countries, complementing the role of the IMF. From this point, the work of these two institutions became more intertwined (Stiglitz 2003:14) and neoliberal institutionalism became the prevailing paradigm for international development, transforming the corresponding frameworks for debt, aid and trade.

Alternative theoretical approaches offer a means of critically appraising both the normative assumptions of the evolving neoliberal
paradigm and its outcomes over time. Realist perspectives on international political economy have a primary focus on state power in the international system. The role of institutions such as the IMF and the World Bank policing this debt restructuring regime is seen as a reflection of the interests of the most powerful countries (Walter 1993) who were the members of the Group of 7 richest countries, and the ‘Paris Club’ of creditors (Cohen 1991). Rather than being driven by normative beliefs in liberal values, the emphasis on restoring stability is at best interpreted as preserving the status quo, with the ‘development’ aims permanently secondary to this, promoted only if and when they support the status quo (Strange 1994:207-8). Realist analysis interprets the response to the debt crisis and the subsequent ascendancy as a broader project to neutralise the challenge from developing countries to the structure of power and stability in the international economic order. The asymmetry of power was reflected in the inequality of treatment between the two groups of countries involved: while the causes of the debt crisis can be found in both creditor and debtor nations, debtor nations were forced to foot the entire bill (Stewart 1985:200). At the same time, little was done by powerful creditor states to invoke the IMF to halt capital flight from less developed countries to financial institutions based in the same creditor states (Helleiner 1995:82). In this way, realism highlights the ways in which the power and interests of the United States dominated the approach to Latin American debt, drawing attention to geo-political factors that influence differential treatment of countries (Krasner 1985).

This emphasis on the distribution of power also highlights how inequalities in the international political order at any given time impact on the international economic order. Critical approaches to international political economy challenge the benign assumptions of liberalism by highlighting how the international economic order has historically produced uneven development. This focus goes beyond the state focus of realists to consider the power and interest of a
range of actors, especially economic actors and civil society organisations (Hettne 1995:228-9), and allows for an interplay between states and markets (Sørensen 2004:185). Latin American theories of development offer a prominent critique of modernisation theory, denying its progressive character. Influenced by critical Marxists, dependency theories argued that the structure of power in the international capitalist order results in a dependent position for developing regions. As such, modernisation is impossible, because the dominant economic powers always exercise power to ensure that their power is not challenged by developing economies (Kay 1989:2). Opportunities exist to challenge the prevailing order only when there is a crisis in international capitalism. Efforts by less developed countries to develop a New International Economic Order through the Group of 77 countries in the 1970s and 1980s were viewed as such an opportunity. But in the 1980s, attempts by debtor nations to form a cartel to protect their interests were condemned and undermined by the creditor nations where the banks were based, especially the United States. From this critical perspective, in line with realist analyses, international cooperation between states to deal with debt and aid in the developing world from the 1980s must be interpreted as part of a broader project to reinforce the position of the most powerful economies and actors in an interdependent system under a neoliberal framework. As such, the new roles for the international financial institutions were attacked for inhibiting the democratisation of the governance of the international economic order by representing and defending the interests of the international financial community above the well-being of societies (Stiglitz 2003:19-20).

The focus of critical accounts on how the implementation of the neoliberal paradigm through the frameworks for aid and debt may translate structural inequalities to societies in the developing world through conditionality is of critical importance for this study (Hettne 1995:227). The content of the neoliberal paradigm differed
fundamentally from earlier versions of the development project. The impact of the oil and the debt crises had discredited Keynesian economic approaches that gave a privileged role to the state in planning and directing national economic activity in order to foster growth and facilitate transformation. The state in developing countries was now being blamed for failures of development and for generating the debt crisis (Pastor 1989:146). In parallel with a shift away from welfare statism in Europe and North America, the crisis prompted a shift towards market-based solutions that diminished the role of the state in development (Martinussen 1997). From the 1970s interdependence challenged the notion that the primary agent and ‘universe’ of development was the state (Hettne 1995, Nederveen Pieterse 2001). Neoclassical economics promoted the idea that the market provided the correct incentives to economic actors for faster and more efficient growth. Market-based approaches to development were reinforced by growing interconnectedness and interdependence facilitated by technology and communications. The transnationalisation of economic activity, from a neoliberal perspective, offered new opportunities for trade and investment. For developing countries, neoliberal reforms would create the best conditions to facilitate more trade and investment, and thereby bring about rapid and accelerated growth to bring about transformation. Greater integration with and competitiveness in international markets was seen as the key to securing development (Keohane and Nye 1989).

Structural adjustment programmes, while introduced initially as crisis management tools, were the vehicle for implementing the elements of the neoliberal paradigm in developing countries. Alongside debt restructuring, development finance in the form of grants and concessional loans, whether from the World Bank, or from other official multilateral and bilateral donors, was conditioned on the implementation of structural adjustment programmes agreed between developing country governments and the IMF. The
programmes sought to stabilise inflation and restore macroeconomic stability by cutting government spending and making monetary policy independent of political interference. In addition, countries were expected to liberalise trade and financial markets in order to attract higher levels of foreign direct investment, and accelerate growth. Since developing countries were perceived to have a competitive advantage in the trade of primary commodities such as minerals and agricultural produce, these exports were promoted as the drivers of growth. Cuts in government spending could be achieved by shrinking the size of the state and reducing the role of the state in the economy (Kirby 2003:72-6). The state was viewed as an obstacle to development by prominent advocates of market-based solutions such as Jeffrey Sachs (Sachs 1986). These policies became known collectively as the Washington Consensus, reflecting the location of the headquarters of the IMF and the World Bank, and their close relationship with the United States government (Williamson 1990).

By the 1990s the debt situation in the developing world was no longer perceived as a threat to the stability of the international economic order, and aid flows increased. As a result of structural adjustment, many developing countries restored macroeconomic stability. However, policies were failing to produce accelerated growth or reduce debt stocks to sustainable levels. In the absence of high growth rates, the promised trickle down to poorer sections of society that had suffered the adverse impacts of stabilisation policies did not materialise. A critical agenda for reforming the international architecture governing aid and debt was taken up by international agencies that had received a new impetus with the end of the Cold War. The buoyancy of the international economy, accelerating financial globalisation, and general optimism gave new life to development discourse and the entire project of development. The United Nations International Children’s Emergency Fund (UNICEF) produced an important report in 1987 calling for adjustment with a
‘human face’ (Molyneux 2008:781). From 1990 the United Nations Development Programme (UNDP) promoted a broader approach to development through its annual Human Development Reports. The Human Development Index in these reports ranked countries according to a composite of factors that included economic growth, but also other socio-economic measures such as education and health. Lagging human development in countries subjected to structural adjustment programmes challenged the logic of neoliberalism.

Other alternative approaches to aid and debt, and more radical critiques of neoliberalism came from civil society organisations. Throughout the 1970s and 1980s social movements played an important role in democratisation processes across the world, but especially in Latin America and Eastern Europe (Hann 1996). Many civil society organisations were also engaged in social service activities to alleviate poverty in times of crisis. With the withdrawal of the state from many social service functions as a result of structural adjustment funds, and austerity in public spending, civil society organisations proliferated as service delivery organisations. Non-governmental organisations (NGOs) in particular began to play important roles in local development in the absence of state responses. NGOs often benefitted directly from aid through donors, as implementers of donor projects, or through private development finance from international solidarity networks. By the 1990s NGOs were increasingly accepted by donors and international agencies as important actors in development both within developing countries and as advocates for change in international institutions (Reimann 2006:45). Transnational NGOs formed networks such as the European Debt and Development coalition (EURODAD) to build awareness of the negative impacts of structural adjustment on poverty in the 1980s and 1990s in developing countries. This fomented a transnational movement campaign against Third World debt (Kkerink and Van Hees 1998:324), which challenged the benign
assumptions of neoliberalism and advocated for greater social justice in development, aid and debt issues.

The response of the World Bank to these disappointing outcomes from structural adjustment was to broaden the remit of reforms, and to facilitate increased social spending to alleviate poverty (Birdsall and Szekely 2003:64). This ‘second generation’ of structural reforms expanded the focus to include the privatisation of state-owned enterprises, and the modernisation of the institutions of the state to have effective regulation of the market. The new focus on poverty was reflected in the creation of social funds and the overhaul of social sector policies (Barrientos et al. 2008:760). These were also viewed as attempts to improve the image of the neoliberal project within developing countries in order to support the political viability of reform packages (Molyneux 2008). But even with additional reforms and increasing aid flows, growth rates remained modest and debt levels remained high. The diversion of resources to service existing debt stocks and the limited access to new sources of finance were undermining the impact of aid flows. Developing country governments began to lobby creditor countries to change the international frameworks governing debt and aid (Nederveen Pieterse 2001). In the run up to the celebration of the second millennium in the Christian calendar, the international civil society campaign was given added momentum as a result of the involvement of the Christian churches under the Jubilee umbrella (Jubilee Debt Campaign 2008). The Jubilee campaign also brought prominence to a set of moral arguments about debt. These related to the fact that as a result of interest rates and mounting debt stocks, debts incurred were being repaid many times over by poor societies. In a context of global prosperity these arguments gained ground in wealthy countries and it led to greater openness on the part of wealthier countries to alternative proposals for dealing with debt, as well as aid and poverty reduction issues (Keet 2000:461).
In reaction to this political pressure, the first major attempt to reform the debt framework, HIPC I was launched in 1996 by the G-7 countries, which had the most influence on the World Bank and the IMF. The HIPC initiative allowed for a certain portion of the debt stock of the poorest countries to be cancelled. Fulfilment of conditions that were laid down by the IMF and the World Bank in order to maintain macroeconomic stability and continue with structural reforms remained essential. From a liberal perspective, the framework was adapting to new challenges and embracing a broader set of concerns in order to deliver effective solutions that allowed for mutual gains for developed and developing countries. From a realist perspective, the time lag between the debt crisis and progress towards cancelling debt illustrated the persistence of national self-interest in determining the international response to development issues. The delay was blamed on the need for the Paris Club countries to always act in consensus, and within this, the time it took for the attitudes of the United States to shift (Evans 1999).

Critics dismissed the initiative as a symbolic and tokenistic gesture by the G7 countries. In practice, it was claimed that little had changed in the overarching framework for developing country debt (Kkerink and Van Hees 1998:331). After three years of operation of the initiative, only six countries qualified for assistance, and for those that did, the scheme had very little impact on debt sustainability (Escobar de Pabon 2002). However, the Jubilee campaign brought sustained pressure on the G7 and international financial institutions to deliver a better deal, and this led to a substantial revision and broadening of the scheme (Yanacopulos 2004:717). The enhanced HIPC initiative was launched at the G-8 meeting in Cologne in 1999. HIPC II included a provision that debt relief would be conditioned on the production of a national Poverty Reduction Strategy Paper. This strategy would be used to channel debt relief, as well as aid and national resources to poverty reduction efforts. In this way, this initiative sought to marry the aims of the frameworks for debt and
aid in developing countries under a single approach. In these ways the HIPC II initiative represented a change in the neoliberal paradigm for development since it significantly modified aid and debt frameworks.

In sum, the ascendancy of neoliberal ideas in development is intimately linked to the power and interests that structured the response to the debt crises of the 1980s. Liberal accounts of the international political economy of this crisis stress the need for international institutions to ensure stability and oversee issues of global governance in order to deliver development. This rationale was used to justify the implementation of structural adjustment packages to promote market-based development and to radically diminish the role of the state in development. Modifications to the neoliberal framework to include further reforms, a focus on poverty and eventually debt relief in the 1990s were seen as the result of a progressive consensus on neoliberal development. In contrast, realist perspectives highlight self-interested actions by wealthy states to minimise the costs incurred, and view institutional responses as serving a broader project of securing dominance. Critical approaches highlight the inherent inequality reinforced and reproduced by the neoliberal framework both in process and in outcomes. Actors beyond the Washington Consensus such as the UNDP and international civil society networks claimed that the failure to effectively resolve the debt burden of developing countries was undermining development. The origins of the HIPC initiatives are rooted in the slow and partial response of the architects of the neoliberal paradigm to pressure from the Jubilee campaign to change the framework for developing countries’ debt, and to link it to poverty reduction efforts. From a realist perspective, questions remain about the interests represented in the content of the HIPC initiatives, and from a critical perspective, the liberal norms underpinning the approach need to be interrogated in terms of equality. The next
section examines in detail the influences that brought debt issues to be directly linked poverty reduction under the PRS approach.

2.3 How debt became linked to poverty reduction

This section deals with the influences that brought about a shift towards a focus on poverty reduction in the neoliberal agenda overseeing the debt and aid frameworks for developing countries in the 1990s. The dynamics of change are discussed primarily in reference to the World Bank, with particular attention to how debates on the concepts, goals and actors of development influenced its agenda for development. Particular attention is given to the impact of debates around the role of the state and of civil society in development on the neoliberal agenda. The dynamics of these debates are highlighted with reference to different theoretical perspectives on development, and the cumulative changes represented in the launch of the Comprehensive Development Framework (CDF) and the PRS approach in 1999, are assessed in this light.

An entry point for analysing the dynamics of change in the neoliberal agenda in the 1990s is to examine the evolving agenda and approach of the IMF and the World Bank. Combined these institutions serve as the principal intermediary between the interests of creditor and donor countries and developing country governments. While the World Bank sought to retain hegemony over development thinking and practice, change was taking place and the institution become more open to alternative discourses of development. The move away from an exclusive focus on economic growth towards a much greater emphasis on poverty and development was reflected as early as 1990 in the World Development Report “Attacking Poverty”. This was seen partly as a revival of the World Bank’s attention to poverty in the 1970s under the leadership of Robert MacNamara (Molyneux
It also reflected the more general concern in the post-Cold War era with democratisation and rights-based development. Influential ideas such as those of Amartya Sen broadened the definition of development to encompass political, social and cultural dimensions (Sen 1999). These ideas were clearly reflected in the work of the UNDP and the Human Development Reports. Other influences came from bilateral donors in Northern Europe such as Sweden, which had traditionally championed rights-based issues. Donors were increasingly concerned that policy conditionality attached to aid was not providing the correct incentives to developing country governments to concentrate on poverty and rights-based issues (Booth 2005:10). The broadening of the goals of development, and the renewed focus on poverty and increased social spending changed expectations around the role of the state, beyond the limited role promoted by structural adjustment in the 1980s (Martinussen 1997, Molyneux 2008:782). In addition, greater attention was given to the activities of civil society actors in delivering poverty reduction and in opening spaces for participation of the poor in development.

For neoliberal institutions such as the World Bank the end of the Cold War and the onset of financial globalisation confirmed the ascendancy of liberal democracy and free market ideas, spelling the end of state-led development. At the same time, there was growing evidence to suggest that the state was not being entirely eclipsed by processes of globalisation, and that it retained a fundamental importance in negotiating the international political economy of development (Hay et al. 2006:14-15). The experience of the East Asian tigers throughout this period challenged the free market orthodoxy (Johnson 1999:34). The literature highlighted that successful development outcomes in East Asia in a globalised economy had relied on state-led policies to attract investment and support industrial development. From this perspective, the concept of the state is based on the idea of state autonomy from capture by the dominant groups in society, and the use of infrastructural power
rather than despotic power to implement decisions. Developmentalist approaches to the state begin with embracing the possibility of cooperation between the state and society, using the East Asian examples to develop a concept of ‘embedded autonomy’ whereby the state can effectively penetrate society to bring beneficial outcomes (Evans 1995:16). This represented a departure from liberal conceptions of the state that view state-society relations as inherently conflictual, and Marxist conceptions that posit the state as either an organisation that is either inherently capitalist or the instrument of capitalist elites (Hay 2006). In contrast to the neoliberal approach which sought to minimise the size and role of the state in the economy, the developmentalist literature highlighted the how state capacity might enable societies to effectively negotiate the conditions of a globalising world, and to transform relationships between the state, the market and society in order to achieve successful development outcomes in economic growth terms (Kamal Pasha and Mittelman 1995:363).

The early response of the World Bank was to offer counter-arguments, attempting to demonstrate that in fact it was rational economic responses to international market conditions rather than the state or the historical and contemporary contexts that had influenced outcomes (Woo-Cumings 1999:29). But evidence from the African experience of structural adjustment reinforced the state-based perspective. The lack of progress suggested that market reforms in the 1980s and early 1990s had been insufficient to kick start economic transformation, let alone reduce poverty in developing countries. This debate led to a more general shift in the World Bank approach away from a narrow focus on policies to support economic growth through the market towards a broader vision of effective institutions and good governance. This emphasis on modernisation of the state and overhauling its role in the economy was reflected in the second generation of reforms. The shift is most clearly evident in the World Development Report of 1997 which
acknowledged that market-based solutions alone would not provide the basis for development, but that a capable state was also required (World Bank 1997). From a liberal perspective, the broadening focus of the World Bank was based on learning from experience and a changing context.

More critical accounts highlighted that while the World Bank now incorporated a focus on the state, the role of the state was still subordinated to the free market orthodoxy (Moore 1999:62-3). On closer examination, the concept of a capable state put forward by the World Bank was poorly developed in comparison to the careful analyses in the developmental state literature. Measurement of capability relies on international business managers’ perceptions rather than development outcomes in terms of either growth or broader socio-economic indicators (Polidano 1997:173). The resulting index of capability was heavily skewed towards the market as the driver of development, eschewing political and social concerns of state capacity. Rather than developmentalism, the World Bank in fact was seen to be promoting a ‘competition state’ that was effective at bidding for foreign direct investment as the motor of growth (Hay 2004). In this way, the World Bank was described as engaging in a form of ‘paradigm maintenance’: it appeared to have changed its ideas, but in reality this was an attempt to assimilate the developmentalist discourse within a neoliberal paradigm. Moreover, by doing this, the World Bank was reflecting the interests of its most powerful member, the United States, who had an ideological interest in demonstrating the East Asian success as an example of liberal market-led development (Wade 1996:36). Later, the East Asian crisis of 1997 challenged the legitimacy of the neoliberal project championed by the IMF and the World Bank. The failure of these institutions to predict, or contain the speculative attacks that produced the financial crisis, undid the perception of infallibility held since the early 1980s (Thirkell-White 2004). The response of the IMF and the World Bank was to blame the crisis on mismanagement by
state actors, and to prescribe further institutional reform. However, the ‘one-size-fits-all’ approach to policy conditionality was questioned and this offered greater space for alternative to gain ground in development discourse outside the World Bank.

There was general acceptance in the post-Cold War era that authoritarianism was no longer acceptable as a means for delivering development (Sørensen 2006:55). But the general interest in democracy and poverty reduction did not translate into a clearer role for the state in development beyond the functions of a ‘competition state’, by promoting ‘good governance’. In practice this meant the creation and strengthening of effective institutions in order to facilitate and deliver ideal conditions for the market. The generalised nature of ‘good governance’ makes it a diffuse agenda, which is difficult to separate from the concept of development itself, since it represents a mix of desirable policies, processes and outcomes not clearly set out in causal manner (Grindle 2007:555). Good governance is associated with economic growth, poverty reduction and democracy, but it is not clear how a society can get good governance without growth, or vice versa. In a globalised context, issues remain around how to attain governance in state institutions without focussing on issues of democracy and justice, since the state retains an important political role in resolving conflicts within societies (Peters 2006:219). Critics charged that ‘good governance’ was an extension of neoliberal orthodoxy into yet more policy areas, processes and the activities of more actors in development (Cammack 2004:190). At the same time, the intensification of interest in social development and poverty reduction was interpreted as a way of side-stepping and distracting attention away from issues around how inequality and political conflict undermined development.

Within the World Bank, the appointment of a new President of the World Bank, James Wolfensohn, in 1995, facilitated a shift within the institution to become more open in its activities and in its approach
to development. Wolfensohn was particularly concerned with alleviating problems of extreme poverty, and in engaging more closely with civil society in developing countries. Wolfensohn took steps to ensure that officials became more engaged with country contexts: country offices were established and more personnel were decentralised away from headquarters in Washington with greater decision-making powers (Taylor 1995:152). As the financial gatekeeper, the core focus of the IMF remained on indicators of macroeconomic and financial stability. As a result the interaction of IMF officials with developing countries remained restricted to executives, Central Banks and Ministries of Finance, in order to monitor progress in implementing agreed reforms. In contrast, World Bank officials negotiated the provision of concessional development finance and oversaw the implementation of a broad agenda of conditions attached to aid and debt under the second generation of reforms.

The increasing agenda for reform saw greater involvement of the World Bank in different parts of the state in developing countries stretching from the core executive and financial institutions to include almost the whole range of state ministries and institutions. Reforms included sector policies, the civil service, the judiciary and local government as well as the privatisation of state-owned enterprises. Other official donors such as the regional development banks, the United Nations system and bilateral donor agencies were other important actors penetrating the state in developing countries. Where it did not directly intervene itself, the World Bank, along with the IMF, spearheaded efforts at coordination among donors to improve interactions with developing country governments and to enhance the impact of reforms and aid flows. There was also a drive to coordinate the work of different donors and NGOs in each country under sector-wide approaches, moving aid away from a project approach to sector programmes. Within developing countries, problems of coordination between donors in their aid projects and
programmes were identified as a serious problem, producing duplication of efforts and undermining the overall impact of aid (Cammack 2004:194-5).

These aid relations were transforming parts of the state and state-society relations within developing countries. Along with policy-based conditionality, by the 1990s financing agreements were usually accompanied by technical assistance and training for civil servants as part of a drive to modernise the state under the second generation of neoliberal reforms. As a result of this, there was a transfer of ideas and skills leading to the development of technocratic elites within core institutions such as the Ministry of Finance, planning units and the Central Bank. Beyond the core functions of government, where the World Bank and the IMF tended to be concentrated, multilateral and bilateral donors were often heavily involved in sector programmes in other ministries providing important sources of finance, policy content and technical assistance in these areas (Nickson 2005:401). The proliferation of aid projects had a cumulative effect on the institutions of the state and on the nature of social policy and poverty reduction initiatives. The composition of social policy changed to incorporate targeted initiatives alongside universal approaches. New modalities for delivering social policy increasingly incorporated decentralised implementation and client participation (Birdsall and Szekely 2003:64, Barrientos et al. 2008:3). By favouring finance for certain channels of support such as social funds or decentralisation, donors could effectively privilege certain types of policy approach, institutional arrangements and civil society actors. Donors increasingly funded and engaged with NGOs at local level as intermediaries in the design, implementation and evaluation phases.

However, new approaches to development were not just being influenced from the top-down. Alternative, bottom-up approaches to development being tested, often with remarkable success, at the local
level in developing countries. In particular, the work of Robert
Chambers in highlighting the impact of participation on the efficiency
and sustainability of development interventions at the local level
were received with great interest. Chambers’ work highlighted the
importance of giving the poor a voice in development planning and
implementation. This was justified in terms of improving the
adequacy, appropriateness and effectiveness of development
interventions, but also in terms of empowering the poor as subjects of
their own development (Chambers 1997). Academics drew on this to
highlight the democratic deficit at the heart of aid relations at
national level and advocated greater participation. Participation had
the potential to democratise state-society relations in developing
countries, and to democratise the global governance of the
frameworks for aid and debt in developing countries. The response of
the World Bank was evident from 1998 when Chambers was
commissioned as part of an international team to oversee a massive
exercise across the developing world called “The Voices of the Poor”
(Narayan et al. 2000).

These efforts gave impetus to the urgency of dealing with poverty,
and the potential of participation to accelerate poverty reduction, and
deliver side-benefits in terms of empowerment and democratisation.
The World Bank welcomed the growing role of civil society in
development when it formed a ‘third sector’ adding to the efficiency
of the market and substituting for the state, as a more effective
provider in social service delivery. The proliferation of NGOs was
viewed as something to be harnessed to work in partnership with
donors and the private sector. Moreover, as the good governance
agenda developed, a role for civil society in delivering accountability
and keeping the state in check as a means of promoting effective
institutions became prominent. Associational life was viewed as an
inherently good thing for society, and furthermore enhanced ‘human
capital’ as an input into market-led economic development. Working
in partnership with civil society could produce gains beyond direct
intervention in service delivery - it might also deliver side-benefits in terms of 'social capital' (Edwards 2004:14-15).

The encroachment of neoliberalism into civil society activities provoked a backlash from critics of neoliberalism who contested the interpretation of the concept of civil society. Differences between NGOs that simply served as instruments of market-led development, and other more critical NGOs that worked to change society were highlighted. Activist approaches to civil society focus more explicitly on the political purpose of civil society actors rather than the neoliberal preoccupation with an economic role supporting the market (Chandoke 1995:30). Civil society is viewed as something that does not simply arise from associational life as an inherent good, but rather must be achieved through the democratisation of society and the state to overcome inequality and transform power relations. Global civil society could serve as a vehicle for transforming the prevailing structures of neoliberal global governance. For activists, the growing openness of the World Bank and the neoliberal paradigm to civil society participation in the 1990s was viewed with caution, but also as an opportunity to influence and reform the neoliberal agenda in terms of process and outcomes (Brown 2004, Trócaire 2006). However, the utopian ideals of activist civil society see participation as a desirable end itself. But the role for the state and for the market in democracy and development is left vague or absent (Kumar 1993:384). As a result, just as under the market-based approach to good governance, there is little specification of how political conflicts can be resolved in the absence of the rule of law. From this open-endedness, elements of both neoliberal and activist agendas vis-à-vis civil society and participation in development became conflated in the development discourse by the end of the 1990s (Edwards 2004:10). The debate around the means and ends of civil society and democracy became enmeshed in the discourse around good governance.
More radical civil society organisations remained cynical about the attempts by Wolfensohn and the World Bank to court international civil society in this period. The very idea of civil society was viewed as part of a hegemonic project based on Western culture seeking to impose cultural uniformity (Kaldor 2003:11). Neoliberal approaches to civil society were heavily criticised for their primary focus on certain sectors of civil society particularly NGOs involved in the implementation of neoliberal development. The focus on NGOs is defended by the World Bank on the basis that they are the organisations closest and most responsive to the poor, while the role of trade unions and other national collective actors in development is dismissed on the basis that they tend to be consumed by sectoral interests rather than the needs of the poor. But this vision of a harmonious civil society at the local level is criticised for being simplistic by precluding any consideration of conflict among civil society actors (Tendler 2004:131-132). The emphasis on technocratic processes results in the deliberate exclusion of some civil society actors in policy-making processes, and this is interpreted as an overt attempt to manipulate the nature of civil society in developing countries, and its relationships with the state and the market. It facilitates micro-level empowerment for social and economic development at the expense of macro-level political engagement for national policy-making for development (Mkandawire 2004:14-16).

In this light, the reformist agenda of activist civil society actors and their engagement with institutions like the World Bank and the IMF was seen as best naïve, and at worst a form of cooptation, blunting the radical potential of civil society.

The first holistic expression of all of these changes in World Bank thinking on aid and development was in the Comprehensive Development Framework (CDF) launched in January 1999. While structural adjustment was focussed on achieving economic growth, and prescribed specific economic policy instruments for this, the CDF offered a multi-dimensional approach to development, focussing on
growth alongside a range of social priorities, especially poverty reduction. The scope of the policy prescriptions covered a broad range of areas, including policies as well as processes to achieve good governance (Pender 2001:407-408). The CDF also represented a tentative move towards the coordination of all development partners under single national frameworks. Implicit in the CDF was a limited role for the state in development, encapsulated in the policies and processes for delivering effective institutions and good governance. The role for civil society was more prominent with participation seen as an integral part of all dimensions and stages of development. The Poverty Reduction Strategy (PRS) approach, established as part of the second HIPC initiative later that year, can be seen as the vehicle for the implementation of the World Bank’s attempt to tackle poverty and inequality through frameworks for aid and debt (Brown 2004:237), but also for delivering the broader agenda of good governance (Cammack 2004:203). The Millennium Development Goals (MDGs) were officially launched shortly after HIPC II in 2002, under the auspices of the UNDP. The MDGs encompassed a detailed set of eight international targets based on economic, social and political aspects of the aid agenda to be reached by 2015. Almost immediately the MDG process was aligned with the HIPC II and PRS processes and adopted as their ultimate objectives. Altogether, the initiative integrated frameworks for debt and aid with poverty reduction goals and there were implicit assumptions about the roles for the state and for civil society in delivering this.

In sum, there were a number of important shifts in development thinking that influenced the neoliberal paradigm in the 1990s, underpinning the move towards debt relief and as precursors to the PRS approach. The impact of alternative discourses was clear: the goals of development were broadened from purely growth measures to consider poverty reduction and socio-economic indicators. Critiques and alternative perspectives forced the World Bank to broaden its agenda to consider reform of the state and role for civil
society in complementing market-led development. From a liberal perspective these changes were led from within the World Bank, reflecting a growing consensus among partners in development. Reformists viewed the new openness by the World Bank as an opportunity to further democratise aid relations and development. However, more critical accounts charged that the Bank was in fact attempting to absorb and attenuate criticisms by redefining the roles of the state and of civil society in market-friendly terms, and framing poverty as a technical, depoliticised issue. The next section continues this debate by considering the content of the PRS approach in theory and in practice, and raises issues for evaluating the impact and outcomes of country experiences.

2.4 What is the PRS approach and how it has been evaluated

The enhanced HIPC initiative (HIPC II) was launched at the G-8 summit in Cologne in 1999. This initiative not only covered a greater portion of the debt stock held by developing countries but also aimed to tackle aid problems by conditioning debt relief on the production of nationally-owned Poverty Reduction Strategy Papers (PRSPs) that would be drawn up with the participation of civil society. Taking into account the changes in development thinking over the 1990s and how the goals of neoliberal development expanded, this section examines the content of the PRS approach in order to identify elements for evaluating the impact and outcomes of the process. In particular this section addresses issues around the roles of the state and of civil society in relation to different perspectives in literature evaluating the impact of the PRS processes on the state and civil society in practice.

The HIPC II framework was heralded as something new in development practice offering financial incentives in the form of debt
relief that would break with the ‘one-size-fits-all’ tendency of policy conditionality for the least developed countries, by leaving space for locally specific responses to poverty and development issues. In its Sourcebook for Poverty Reduction Strategies, the World Bank, the institution which spearheaded its implementation, declared that the PRS aimed to move past the incompleteness and ineffectiveness of the “old model of technocratic government” by drawing on the input from a range of development actors and strengthening institutions (Klugman 2002:2). There were five principles set out that should underpin the PRS process:

(i) Country-driven: strategies should country-owned, with broad-based civil society participation  
(ii) Results-oriented: strategies should have medium to long term poverty reduction goals  
(iii) Comprehensive: poverty is multidimensional  
(iv) Partnership: all development actors should work together, especially donors  
(v) Long-term perspective: change takes time  

Adapted from (Bertelsen and Jensen 2002:43, Klugman 2002:3)

The innovations in the PRS approach were the explicit prioritisation of poverty issues and the shift away from policy prescriptions to a focus on the policy-making process. The development of new nationally-owned strategies was to be overseen by states, implying a new role for the state in coordinating poverty reduction, and further strengthening the capacity of the state across all of its functions. Civil society participation was explicitly included as an integral part of the policy-making process for poverty reduction. These principles echoed the content of the CDF, and the PRS was presented by the World Bank and donors as representing a post-Washington consensus for all development partners, focussed on delivering poverty reduction and the MDGs with aid relations based on ownership and participation (Wolfensohn and Bourguignon 2004). In this sense, the PRS approach translated the international convergence into a prescription of how poverty reduction policy process should be devised by states, by facilitating the participation of different sets of
actors that had a stake in national development, and particularly those heavily involved in this delivery.

The state was charged not only with overseeing the technical work of developing poverty data and policy instruments, but also with the facilitation of a participatory process which would deliver national ownership. The end product would provide a single framework for national development which would coordinate all interventions by the state and by donors towards common goals and objectives. In effect, the PRS re-introduced state-coordinated planning processes (Fritz and Rocha Menocal 2007:541), since goals like the MDGs were predicated on a state to deliver national outcomes (Grindle 2007:568). From the outset, there were concerns that many developing country governments lacked the capacity and the institutional arrangements to carry this agenda out. In light of this, many donors, especially the World Bank, the UNDP along with bilateral donor aid agencies representing countries such as the UK (DFID), Sweden (SIDA), Denmark (DANIDA) and Canada (CIDA) offered technical assistance and financial resources to states to support both the technical poverty analysis and participation processes. Moreover, there was an effort by donors to align their aid programme objectives with the national PRS in each country in order to achieve policy coherence and to support national processes, and to look for other ways to coordinate with each other to reduce transactions cost and to maximise the effectiveness of aid.

The PRS approach built on the ideas of NGOs around participation of the poor and people-centred development and applied them to national level policy-making. This appealed directly to technocratic concerns of neoliberal institutions, but it also resonated with broader aspirations of social movements that had fought for the democratisation of state-society relations (Molyneux 2008:782). The imprecise conceptualisation of participation in the PRS approach was defended as a means of facilitating flexible and even experimental
responses from individual countries, that would be more responsive to local conditions, and thereby deliver ownership (Brown 2004, Booth et al. 2006:4). Participation was supposed to ensure that ownership went beyond a small group of technical officers within the state apparatus to encompass government and broader society. It was also to be the means by which better quality strategies could be devised, through direct consultation with those closest to the poor. From this, a critical mass of support for the strategies could be secured, thereby ensuring political commitment and sustainability of the strategies. Taken together, these aims for civil society participation went far beyond input in the technical elaboration of a strategy.

But the optimistic and ambitious assertions around what civil society participation might deliver under the PRS were not rooted in a clear understanding of what the role of civil society in development, or democracy should be. Without a clear rationale for participation, the goals of participation were neither well defined nor connected in a causal sequence (Molenaers and Renard 2005). Instead of offering flexibility, it was not clear what the state needed participation for, or how additional forms of participation should be effectively organised. Participation is assumed to be benign, and little attention was given to the potential of participatory processes to be less socially inclusive, and less transparent than formal processes already in place (Brown 2004:239). Insufficient attention was given to how the context of democracy and development shapes and constrains the transformative potential of civil society (Dijkstra 2005:445). The idea of institutionalised participation tends to presuppose the existence of a state, but does not take into account the issues of societies marked by inequality and a weak rule of law (Eberlei 2007:2). There was a lack of clarity on what civil society is, and what its role is, and the emphasis on NGOs and civil society actors involved in delivering aid in the PRS process tended to sideline other types of civil society organisations, such as trades unions and business groups, without
any consideration for the political impact (Tendler 2004:11). No clear criteria were defined for assessing whether participation was mere information-sharing on the part of the state about policy plans, or if it represented a move towards empowerment, a situation in which civil society could initiate policy discussions as well as take part in decision-making (Stewart and Wang 2003:6). For the appraisal of final strategies, the World Bank required that developing country governments merely describe, rather than evaluate, the main aspects of the participatory process (Klugman 2002:24).

The incoherence in the role for civil society participation illustrates some of the contradictions in the attempt by the PRS approach to deliver ownership. This was compounded in practice, because although policy conditionality ostensibly decreased, it was replaced by conditions around the PRS process, and more of them, that were not necessarily more effective at delivering poverty reduction goals (Dijkstra 2005:445). Furthermore, the policy content of the strategies devised under the PRS approach varied little across countries, suggesting that implicit policy conditionality remained, even while the discourse of ownership prevailed. Donors had offered considerable support and financial assistance to facilitate and strengthen civil society participation in the PRS processes. However, in the final strategies the influence of civil society participants was perceived to be minimal, while donors’ priorities were clearly reflected (Lazarus 2008:1207). In many cases, the strategies appeared to be a collection of all existing programmes and policies reorganised under a poverty reduction umbrella in line with the recommendations of the PRS sourcebook. Rather than the ownership the PRS approach aspired to, these outcomes led to accusations of ‘donorship’.

The similarity among strategies was partly due to the technical, technocratic approach taken to poverty and participation in the implementation of the PRS approach. Governments were now
responsible for overseeing the production of national strategies, but the responsibility for these processes remained with the technocrats that were associated with neoliberal reforms, illustrating the failure of civil society participation to break this pattern. These technocrats tended to be those who were most associated with donors, and this powerful group within the state had little interest in opening the content of macroeconomic policy agreements with the IMF to participation or consideration of alternatives (UNRISD 2010:287-90). The mechanisms of this influence also brings to light the inherent tendency of aid relations and flows to distort political relations, by providing an income stream disconnected from economic activity (Brown 2004:239). Overall, ownership was undermined by the high presence and influence of donors in the state institutions responsible for the design of the process and the drafting of the strategy, and by the displacement of national actors by donors in the consultative phase (Stewart and Wang 2003:15). As such, the dynamics of aid relations undermined the theory of change behind the PRS approach in practice. After five years of the ‘experiment’ the PRS approach was deemed to have delivered some worthwhile improvements in policy processes, but these were only modest in character and fell far short of the original aims of the initiative (Booth 2005:3).

In the evaluation of the PRS as a process, three principal perspectives have been identified (Lazarus 2008). The main body of literature, driven by donors, has a technical focus on issues around the weak capacity of the state to plan and to intervene in poverty, and the lack of experience in facilitating participation. Considerable attention is given to the perception that the expectations of different actors, especially those of the poor, were poorly managed and that this undermined support for the PRS process in many cases (World Bank and IMF 2005:10). However, the new centrality of poverty in the discourse is defended. In response to these problems, deepening the PRS process is recommended including technical improvement of the
strategies, and the institutionalisation of participation by embedding it in national accountability structures as means of enhancing ownership (IEO 2003b:4, Lazarus 2008:1213, Morrison and Singer 2007:723). While there is an acknowledgement that donors undermined ownership, the focus remains on how donors could coordinate better to collectively modify aid relations, seeking better ways to realign incentives for developing country governments in the spirit of the PRS approach (Lazarus 2008:1214).

A second, reformist perspective on the PRS was driven by concerns that the failure of the PRS approach to deliver on its promise was related to the naivety of the principles of ownership and participation, and fundamental problems with the theory of change behind the PRS approach (Lazarus 2008:1209). The need for donors to better understand political contexts before applying a one-size-fits-all theory of change in policy-making is emphasised (Booth et al. 2006:4), and the rationale for focusing on civil society participation in these processes is questioned in light of the neglect of parliaments and political parties (Eberlei 2007:19). The tendency of donors to buy into a simplistic view that civil society and participation can serve as a panacea for political problems with democracy in developing countries are also highlighted (Brown 2004:249, Booth 2005:10). In particular, the idea that the PRS as a single instrument was made to serve a range of different purposes and both technical and political goals was posited as a fundamental flaw (Booth et al. 2006:31). From the perspective of activist civil society, bilateral donors did not do enough to ensure that the IMF and the World Bank delivered meaningful opportunities for participation. There was continued and vocal campaigning for reform of the international financial institutions, as well as for the need to invest in civil society strengthening to ensure the sustainability of incremental gains from participation (Oxfam 2004, Trócaire 2004). However, while reformists do highlight the political constraints to change, the role of the state or of civil society in development beyond the immediate
objectives of aid is not dealt with in a substantive way. Here too, the focus remains on changing what donors are doing in order to improve how aid is delivered to and conditioned for both state and civil society actors.

As the optimism around the PRS agenda waned and disillusionment grew more radical, a third perspective, challenging the benign assumptions about the principles of ownership and participation became more prominent. The ways in which the PRS approach facilitated the continued imposition of a neoliberal agenda on national policy under a mask of ‘ownership’ were illustrated (Craig and Porter 2003:4-5, Gould and Ojanen 2003:9). From this perspective the PRS approach interfered with state-society relations, seeking a means of ratifying of aid policies and ensuring political ‘buy-in’ and continuity. In the process, instead of creating a virtuous cycle of state-society relations, the PRS process bypassed and undermined national politics, and disempowered civil society by co-opting them via participation, neutralising opposition (Lazarus 2008:1215-1217). Evidence that the discourse around civil society participation may have obscured the manipulation and cooption of civil society actors that engaged in participation was investigated (Lazarus 2008:1210). This led to the conclusion that instead of empowerment, civil society participation was not simply ‘theatre’ but worse, resulted in co-optation into a neoliberal framework (Brown 2004:249). Participation therefore resulted in a form of ‘social control’, attenuating the challenging role of civil society and disempowering a nascent activist civil society. In this sense, even reformists were attacked for engaging in a naive attempt to engineer more ‘democratic’ development outcomes.

Craig and Porter (2003) hold that the PRS approach represents much more than a new focus on poverty, and that in fact it represents a globalised framework for responsible economic management. As such, it represents a refinement of the neoliberal approach towards
poverty objectives, and a new convergence about optimising economic, juridical and social governance in order to create the ideal conditions for international finance and investment. In this “four-pronged” approach to poverty reduction the overarching priorities of neoliberal structural adjustment, stabilisation and growth, are retained. Opportunity is provided first and foremost by broad-based, pro-poor growth; empowerment is facilitated through strong institutions and good governance; security is enhanced by investments in human capital, especially health and education; and social safety nets are defined to give social protection to marginal groups and those adversely affected by adjustments in the economy (Craig and Porter 2003:4-5). After much discussion of poverty and the principles of the PRS, the World Bank identifies the priority content areas for public action:

(i) Macroeconomic and structural policies to support sustainable growth in which the poor participate
(ii) Improvements in governance, including public sector financial management
(iii) Appropriate sectoral policies and programmes
(iv) Realistic costing and appropriate levels of funding for the major programmes

(Klugman 2002:4)

These priorities demonstrate how the World Bank aligned its own goals with a discourse around poverty reduction and empowerment, in an attempt to make the new convergence on development policy both coherent and operational. The role for the state remains firmly linked to growth and good governance, and only technical concerns around poverty. It is not clear at what point the contribution of participation is supposed to become relevant. In practice, participation tended to focus on identifying poverty needs and allocating resources, rather than interrogating the basis for pro-poor growth or appropriate institutional arrangements.

At international level, the PRS approach is seen as an attempt to overcome a growing legitimacy crisis and to co-opt the discourse on poverty and participation into neoliberalism, much as the discourse
of the capable state had been absorbed earlier. The normative connotations of the HIPC II framework around participation and poverty reduction are rejected, and denounced as a guise for a project for manipulating state-society relations to facilitate neoliberal market-led development. The principles of ownership and participation did not mean that the content of structural adjustment policies would be replaced: instead, the PRS approach was designed to build on the cumulative generations of neoliberal reform introduced in the 1980s and 1990s. Rather than a post-Washington consensus, the PRS more is most appropriately described as an “augmented Washington Consensus” that fell far short of the aspirations of reformists (Sumner 2006:1410). The role for the state in coordinating poverty reduction interventions was clearly circumscribed by the prevailing orthodoxy of macroeconomic stabilisation and export-driven growth. The disciplinary impact was confirmed with the uniformity of priorities, and the conformity of strategies across countries (Stewart and Wang 2003:15). As such the PRS served to further increase the influence of the international financial institutions over states, policies and processes. Instead of democratising global governance, the HIPC II framework co-opted and neutralised both reformists from within the official donor community as well as activist elements of international civil society (Cammack 2004:190).

The contribution of this radical perspective is crucial for analysing the extent to which donors undermined the PRS approach since it highlights issues both in the theory of change behind the PRS approach, and in the actions taken by donors. However, there is considerable evidence across country case studies to suggest that donors were unable to impose their vision exactly because the theory of change, around participation and ownership, implicit in the PRS approach, did not take local political factors into account. In many cases, the original PRS did not survive very long, for political reasons which donors were unable to control. New governments had little
interests in recognising strategies developed by previous
governments, and technocrats within the state had little power to
ensure continuity. A compromise by donors was to support processes
to develop ‘second generation’ strategies, but participation tended to
get lost in the mix. The PRS remained as a guiding framework for aid
relations, but the strategies were rarely implemented as the driving
force of national development policy. This raises questions about how
the PRS process interacted with existing political processes and
policy-making arrangements. Moreover, many actors within the
state, the political system or civil society in different countries did not
become involved in the PRS process, not simply because they were
excluded, but primarily because it was of no political use to them
(Booth et al. 2006). This attenuates the claim that the World Bank
and donors could directly manipulate the nature of society and state-
society relations. Moreover, in their actions in the implementation of
the PRS approach donors did not behave as a unified collective. Not
all donors fully supported the PRS approach and many continued
unilateral aid relations in parallel to the harmonisation discourse.
There were even contradictory trends within agencies. Different
donors engaged at different times with different actors in the state
and civil society with different interpretations of the goals of the PRS
approach. Overall, this analysis of the literature suggests that in
influencing the outcomes from the PRS process neither donors nor
developing country governments got it all their own way, bringing the
contingency of political relationships into sharp relief. This resonates
with the insight of reformists about the need to view development as
a transformative process (Leftwich 2008:10). But it also demands
that the focus moves away from how donors impose the neoliberal
agenda towards a more dynamic understanding of how national
politics works, and how state-society relations interact with the
international political economy of neoliberal development under the
PRS approach.
In sum, this section has highlighted the contours of the debates around the PRS approach in theory and practice. The PRS approach was presented by the World Bank as a fundamental departure in development practice, with new roles for the state and for civil society in delivering ownership and participation. In theory these roles were incoherent and incomplete, and in practice, the actions of donors contradicted the aims of ownership and participation. Technical evaluations of the implementation of the PRS approach recognised some of the problems caused by donor actions, and sought to refine and intensify the PRS approach. Reformists expressed deeper concerns about the need for donors and civil society actors to consider the political nature of change in developing countries, suggesting broader evaluations beyond donor activities are needed. However, these evaluations are primarily concerned with refining donor practice, and as such do not adequately address issues around the role of the state and society in development and democracy. In contrast, radical critiques challenged the idea that the PRS approach represented a departure in development practice and demonstrated the continuity and expansion of the neoliberal orthodoxy, and its negative impact on development and democracy. This offers a broader approach, useful for the aims of this study, to focus on evaluating how neoliberalism was imposed and consolidated through the PRS approach. But there is a limitation here in that this perspective is overly deterministic in its explanation of outcomes and obscures national political dynamics in developing countries. This suggests that for this study the focus needs to draw on insights from radical perspectives on the extent to which the PRS facilitated the imposition of a neoliberal framework, but also return to the pragmatic call by reformists to develop an analytical approach that allows an examination of the extent to which the PRS approach was undermined by national political dynamics. Before doing this, a review of a broader literature covering the historical and political context of development, the state and civil society in the case study countries is required, and will be covered in the next section.
2.5 Conclusions

This chapter has discussed in detail how the Latin American debt crisis of the 1980s brought about an ascendancy of neoliberal ideas in development, implemented through structural adjustment programmes. The emergence and evolution of an international campaign to introduce debt relief in order to achieve development was driven by actors beyond the Washington Consensus. The influence of alternative ideas about development was evident in the linking of these debt and development goals to an international, target-driven consensus on poverty reduction were examined. But rather than a radical new departure in development thinking, the analysis of the content of the PRS approach demonstrates considerable continuity with the neoliberal orthodoxy. The dominance of neoliberal ideas since the 1980s has had considerable impact on the role of the state in development, and has introduced a new role for civil society. An extreme free-market approach eschewing a role for the state in development altogether has been gradually replaced by a focus on poverty reduction and good governance, clearly identifiable in the PRS approach. However, this role for the state remains subordinated to the imperatives of macroeconomic stability and growth, and donors continue to penetrate and influence state policy. The role of civil society in development remains a contentious debate between those advocating a neoliberal ‘third sector’ approach, activists’ aspiring to deliver democracy and empowerment, and radical transformative goals. From a liberal perspective of international political economy, the move towards the PRS approach represented greater international consensus and progress on development issues, and a refinement of the market-led approach to embrace the state and civil society. However, realist perspectives highlight the enduring visibility of the interests of powerful states in the G-7 in the overarching frameworks. The limited access to debt relief and the disciplinary aspects of conditionality are highlighted. Critical approaches emphasise the
disappointing outcomes of neoliberal development, the enduring inequality in international and national frameworks for development, and how alternative concepts of development have been co-opted and consolidated into a more powerful orthodox hegemony.

But the lack of clear understandings of the role for the state and for civil society in development, or democracy in the ‘good governance’ agenda that underpinned the PRS approach shaped outcomes. While the state had a new role in coordinating strategies, donors undermined ownership by over-influencing the content of the strategies and by displacing civil society participation in the process. The PRS approach had presented opportunities for a greater role for activist civil society, but in practice participation risked co-optation and undermining formal democratic processes. However, the range of existing evaluations do not offer a completely satisfactory account for the outcomes of the PRS approach in developing countries, because too little attention is given to national political dynamics. Technical and reformist perspectives are too concerned with refining donor practices, while radical perspectives present an overly deterministic account of how neoliberal hegemony is translated to developing countries through the HIPC initiative and the PRS approach. Instead, the theoretical weakness of the PRS approach to account for political factors must be addressed by developing an analytical framework that permits an examination of the interaction of the PRS approach with national political dynamics. As a first step, the next chapter reviews the literature on political development in the three case study countries in Latin America. From this, in Chapter Four, an integrated analytical approach is set out for shedding greater light on what the experience of the PRS approach reveals about the role of the state and civil society in development and democracy.
Chapter Three:
Literature Review –
Latin American Development and Politics

3.1 Introduction

This chapter reviews the theoretical frameworks that have been used to understand development and political change in the Latin American region and identifies key elements for developing the analytical approach for this study. The chapter explores these frameworks through three distinct foci of analysis: structuralist analyses, state-centred explanations and society-based explanations. Within each focus, the key elements of the mainstream approaches to understanding change, and the critical responses, are identified and discussed. The next section gives an overview of the origins and influence of modernisation and dependency theories that seek to explain the trajectory of development in the Latin American region. The insights and shortcomings of each of these strands are explored, and the overall contribution and shortcomings of structuralist perspectives are drawn out.

Moving away from structuralist explanations, the third and fourth sections review the literature on politics in Latin America. There is an emphasis on issues relating to democracy, the state and civil society in the Latin American region, drawing on historical and comparative literature. In the third section, institutional explanations focussing on elite cohesion and state strength and approaches to the nature and role of the state under democracy and neoliberalism in Latin America are mapped out and discussed. To complement this, theoretical approaches to understanding the role of civil society in democratisation and development processes are set out and assessed in the fourth section. The changing nature and role of the state and
civil society, and how they have been analysed in the era of democratisation and neoliberal reform in Latin America is given special focus, and key elements are identified for analysing the PRS process in the case study countries in the context of this study. The final section offers a summary of the debates covered in this literature reviews, and brings together the elements relevant for constructing the analytical framework for this study.

3.2 The international political economy of Latin American development

The international political economy of Latin American development is rooted in the colonial conquest and exploitation of the region, which lasted until the early nineteenth century. Political independence from Spain in the 1820s was overshadowed by a persistently subordinate position in the international economy, dominated first by Britain and later by the United States (Bakewell 1997:407). Considerable political violence in the early decades of independence suppressed international trade, but by the 1850s some political order had been established in countries across the region and trade patterns resumed. Since then, the political economy of the region can be roughly divided into three broad periods: the Liberal boom from the 1870s to 1929, the developmental era from 1930s to 1980, and the era of neoliberalism from the 1980s to the present. Although there has been a marked ‘shift left’ in politics in the region since 2002, it is not yet clear if a new political economy has emerged to replace the neoliberal logic. Interpretations of the trajectory of the Latin American region since independence are dominated by theoretical perspectives which emerged alongside the project of development in the post-war era.

Modernisation theories were underpinned by liberal approaches to the international political economy of the region, which are
essentially optimistic about progress and modernisation, and emphasise factors such as the importance of ideas, of international institutions and of domestic factors for explaining change. Liberal approaches viewed the development of the international liberal world order in the nineteenth century as a progressive force. In Latin America, greater trade from 1870 delivered an economic boom to the region. British investment in infrastructure and the involvement of the United States to secure order in Central America are interpreted as modernising impulses. New opportunities as a result of export-led growth led to significant economic modernisation (Cortes Conde 1992:178) and compelled societies to engage with progress. Liberal perspectives also emphasise how domestic political factors and illiberal politics historically undermined the capacity of the region to engage successfully with the opportunities offered by the international economic order. For example, in the post-war era many countries in the region moved towards more rapid economic transformation and democratisation. Influenced by early approaches to development, a role for the state in coordinating the influx of capital and the modernisation of the economy was emphasised. The United States supported these efforts with the establishment of the Alliance for Progress by President Kennedy (Torres-Rivas 1990:193). This was launched as a comprehensive liberal project for the region, mirroring the Marshall Plan for Europe (Barber 1964:85). But continued political instability, traditional authoritarianism, and new forms of personalist politics undermined progress. Populist politics and disorder were seen as the result of the inability of weak institutions to deal with the explosion of mass participation, and facilitated military rule (Weyland 2001:5). These trends were interpreted by liberals as symptoms of the failure of Latin American countries to manage modernisation successfully. This perspective has had an important and lasting influence on the literature of the region as well as on policy-makers. Furthermore, the ways in which domestic political instability in countries in the region threatened to destabilise the international economic and political orders are
highlighted, offering benign motives for explaining and justifying the interests of hegemonic powers, especially the United States, in the region.

The liberal assumptions underpinning modernisation theory, especially about the benign nature of international capitalism, were challenged by dependency theorists in the 1950s. The dependency school is a set of theoretical perspectives that seek to understand national political and economic development within the constraints set by the international capitalist economic order. For dependency theorists the interaction of the Latin American region with the international capitalist order has perpetuated the development of underdevelopment (Kay 1989:131). Instead of a linear, upward trajectory of development the region has experienced pronounced peaks and reversals of fortunes over the two centuries since independence. Dependency theories echo structural perspectives such as world systems theories of international capitalism, in which Latin America is a 'semi-peripheral' region, supplying the 'core' capitalist economies with raw materials for more advanced economic activities there (Wallerstein 1981). The subordinate position of the region in the capitalist order makes the region acutely vulnerable to cyclical crises inherent in capitalism, and ill-placed to break out of this cycle of vulnerability. From a dependency perspective, the Great Depression of 1929 exposed the acute vulnerability of Latin American economies to changes in international prices as a result of their reliance on a few exports to sustain economic growth. The collapse of demand for exports to the United States and Europe caused a reversal of economic fortunes, social discontent, and political upheaval as the liberal consensus broke down (Munck 2003:28, O'Toole 2007:37-38, Wiarda 1998:38). This reflected the breakdown of the international liberal political and economic orders, which were not reinvented until the end of the Second World War. For dependency theorists, the role of great powers at international level, such as the United States, is seen to represent the interests of
international capitalists. At national level, capitalist elites have a pivotal role in reproducing the unequal international division of labour within national economies. These elites form transnational networks with capitalists in the ‘core’ and promote their own capitalist interests above broader national or societal interests. In these ways, the international economic order is seen to have shaped the structure of production and political incentives for elites in Latin American countries and therefore heavily influenced the nature of political and social relations within these economies.

The insights of the dependency school are relevant for this study on a number of fronts. The immediate impact and influence of dependency theories was to prompt a search for alternative strategies for development in the region that recognised the specific historical experience and situation of the region. While more Marxist dependency theorists rejected anything less than the radical overhaul of the international economic order on socialist lines, reformists advocated an internally-focussed approach that would allow Latin American countries to overcome patterns of dependency (Kay 1989:125). Import-substitution industrialisation (ISI) strategies were promoted with the aim of developing industries under protectionism that would eventually allow Latin American economies to catch-up with industrialised countries and compete in a range of markets internationally (Hirschmann 1968:1-2). The objective was to reduce vulnerability to fluctuations in international primary commodity prices, and give greater economic independence (Kay 1989:29). Prominent advocates of the ISI approach included the United Nations Economic Commission for Latin America (ECLA) and individual governments, especially Argentina and Brazil in the 1940s. In this way the determinism of dependency theories and the generalisations of modernisation were contested through the generation of responses to the challenges of development rooted in the actual experience of the region (Tickner 2003:327).
Although ISI was relatively successful in its economic goals, the experience was uneven across the region and political instability continued. Politically, authoritarian regimes began to be replaced by more democratic governments. These were often characterised by populist political movements with charismatic leaders which formed corporatist relations with key sectors of civil society to secure support to implement key elements of the ISI agenda (Vellinga 1998:8). In others, traditional oligarchic elites maintained control and industrialisation policies were introduced later, and only partially. Fluctuations in international markets continued to heavily affect the pattern of political instability in the region, especially in smaller countries (Lindenberg 1990:416). Some of the elements of ISI strategies and economic nationalism were adopted in smaller countries in the region, but the overwhelming reliance on a small number of primary exports persisted (Hirschmann 1968). By the 1960s the momentum of change across the region faltered as a result of recurring economic crises, internal contradictions and resistance from oligarchic elites, causing political upheaval (O'Toole 2007:43-5). In the absence of reformism, opposition forces radicalised and formed revolutionary movements that sought to overthrow military regimes, leading to social conflict and state repression, undermining progressive modernisation (O'Toole 2007:52-6). The broad collapse of developmentalism by the 1970s facilitated the reversion to generalised interpretations of development in the region.

From a liberal perspective, ISI policies had produced conditions favourable to populism and the military assumed a role in ensuring internal order to control the rising demands of the popular classes (Tickner 2003:329). Instability and revolutions also threatened regional stability, justifying external intervention. From a dependency perspective, the failure of ISI was in great part due to the inability of Latin American economies to overcome the international division of labour. Regional and sub-regional efforts to challenge the international balance of power in trade were weak. Among
dependency theorists, the scale and depth of the economic and political crises across the region by the 1970s discredited ECLA reformism. Neo-Marxists claimed that reformism and ISI strategies were doomed to failure because local elites were unable to adopt progressive positions vis-à-vis society, highlighting the need for a socialist revolution (Kay 1989:126). Positing the blame with elites represented a degree of convergence with the ‘failed modernisation’ theory of liberal perspectives. In addition, after the Second World War, the dynamics of the Cold War led to an intensification of the military involvement of the United States in all of Latin America. In the context of the Cuban revolution and the international crisis in 1963, the scope of the involvement of the United States in the region broadened (Valdes-Ugalde 1995:117). The Central Intelligence Agency was implicated in military coups across the region, formal political and economic support was given to authoritarian regimes, and there was direct intervention to overthrow the Sandinista regime in Nicaragua (Torres-Rivas 1990:208).

These dynamics of the Cold War in Latin America also lent credence to critical arguments that the failure of ISI to deliver developmental outcomes was in great part due to external interference. But the normative concerns of these debates obscured the absence of political explanations for varying outcomes and trajectories in countries across the region. As a structural debate the arguments set out by both liberalism/modernisation and dependency are heavily deterministic, at times offering generalised, mechanical explanations for understanding change in the region. These structuralist assumptions of both approaches were rejected by social scientists seeking political explanations:

Modernization and dependency theory were discredited by the early and late 1970s, respectively. A central assumption of both approaches – that socio-economic structures and processes were more basic than and shaped politics – drew particularly sharp rejection. Discarding the socio-economic structuralism that inspired modernization and dependency theory, many authors reasserted the autonomy of politics (Weyland 2001:8)
Within structural accounts, opportunities for greater agency are provided only as a response to structural changes, and there is little room for analysing political agency and contingency at international and national levels. Moreover, there is little space for analysing the way in which external influences were mediated by the state, and by political actors engaging with the state.

Amidst general trends of change in the region, and in United States foreign policy, there have been points of ambiguity that point to the explanatory power of domestic political factors. Latin American countries experienced varying degrees of interference from Britain, Europe and the United States over time, with different outcomes, which remain underexplained (Munck 2003:19-20). In contrast to the assumption of liberal motives or the economic determinism of dependency approaches (Kay 1989:171), there was nothing necessary or mechanical about the interference of the United States and its impact on the region, whether viewed as part of a broad liberal project or the protection and promotion of capitalist interests. Moreover, important political and social changes took place within Latin American societies between 1940 and 1980 that defy generalisation in modernisations/dependency terms and which are not fully explained by the constraining influence of the United States. The divergent paths of different countries in the developmental era – for example ranging from social democracy in Costa Rica, to popular-nationalism in Argentina, to traditional dictatorship and then social democratic revolution in Nicaragua – challenge generalised explanations. The generalised focus on hopelessly corrupted elites and illiberal popular forces leaves unanswered questions around the reactionary, reformist and revolutionary paths taken in different cases. The relevance of issues relating to the state and the nature of social forces, and the contingent impact of external intervention mediating these relations remains obscured. Moreover, relying on a structural account of the historical context leaves the institutional legacies of the developmental era on the state under-explained, which
are of central concern for the focus of this study on the era of
democratisation and neoliberal reform.

Although the overarching explanations were rejected, the influence of
structuralist accounts continued to resonate pervasively in the
aftermath of the regional debt crisis in 1982. The ascendancy of
neoliberalism in the 1990s, accompanied by vociferous dependency
critiques, was reflected in continued polarisation in the literature on
the region. From a broad liberal perspective, the Latin American debt
crisis was seen to be the result of economic mismanagement by
corrupt political leaders. The introduction of neoliberal reform was
justified therefore as a framework for both stabilising the
international economic order and as a means of reviving the liberal
project embodied in the Alliance for Progress, by aligning aid, trade
and foreign policy objectives (Philips 2005:4). At the same time, a
reinvigorated, triumphal liberalism also became the driving force in
United States foreign policy in the region. Military aid shifted away
from anti-Communist objectives and the War on Drugs became a
primary focus. Support was withdrawn from authoritarian regimes
and democratisation was promoted and there was a revived interest
in developing pan-regional trade agreements. The evolution of liberal
thinking in relation to the Latin American region had particular
significance for the idea of development and the international
frameworks for debt and aid, as documented in Chapter Two. These
frameworks had particular implications for the role of the state, and
for civil society, in development in the region.

Understanding the resurgence of modernisation and the liberal
assumptions underpinning change in the region is central for
identifying the mechanisms through which the new regional political
economy was shaped. To do this, a continued critical analysis of the
power and interests driving these ideas and their implementation at
international level is required. In this respect, the compelling
narrative offered by dependency perspectives for the Latin America
experience continues to be significant because it forces attention towards a continued understanding of how external forces shape and constrain development in this region (Eduardo Silva 2004:146). Critical approaches emphasise how democratisation and the nature of democracy are interrelated with the implementation of neoliberalism in the region. But for understanding the trajectories of the state and of civil society in the case study countries, dependency remains limited as an overall explanatory framework for change as a result of its structural determinism. Moving beyond the generalised narrative is necessary to explain the variance in timing and outcomes, and this reinforces the need for political analyses that allow for contingency at the international level and explain different developmental outcomes across cases with reference to the state and society.

One approach to answering these questions has been offered by the literature analysing the successful developmental states in East Asia. By comparing these experiences with the spectacular unravelling of order and growth in Latin America after ISI-developmentalism, a number of insights can be gleaned. The social polarisation generated in Latin America between authoritarianism and revolutionary ideals in the 1970s, exacerbated by the interference of the United States, has been blamed for precluding the successful emergence of such a ‘Third Way’ model (Johnson 1999:33-4). However, while the role of the United States is an important contextual difference between the regional experiences, the comparative literature assigns greater importance to issues around the nature of the state and the capacity of its institutions to deliver economic development. This returns the analysis to the key points associated with the original promise of ISI, granting importance to the regional context and to the potential for agency within the state. Such analyses go beyond crude characterisations of Latin America as a region with an inherently flawed or ‘illiberal’ political culture, or doomed to an endless cycle of underdevelopment. Instead, this comparative regional analysis
accentuates the salience of political factors relating to the role and the capacity of the state in the economy (Evans 1995:17), as well as evolving institutional legacies carried forward from earlier periods, for explaining outcomes.

The focus on the role of the state in the developmental literature offers a way of incorporating international pressures and influences, but still situates the state, and its role, in the national political context. The concentration of this approach on institutional legacies offers a means of identifying mechanisms that sustain and reproduce the historical patterns outlined by modernisation and dependency theory. In its analysis of developmentalism, while acknowledging external constraints, this approach attributes agency to political elites that introduced and implemented reforms to change the role of the state, offering a starting point for assessing the contribution of political factors to weak developmental outcomes. For this study, these insights about the developmental period offer an entry point for establishing the context in each case, and highlight the need to look at democratisation and the introduction of neoliberal reform from the 1980s as political processes that involved choices and pressures emanating from within states and societies, as well as from without (Panizza 2009:18). Alongside institutional factors, the reference to the importance of cleavages in society, and the political dynamics of clientelism and populism for explaining outcomes in Latin America (Woo-Cumings 1999:13) draws attention to the need for society-based explanations to complement state-based explanations. This offers a way to explicitly overcome the epiphenomenal approach to society. Along with examining how international factors and the state affected society, the ways in which society in turn affected the nature of the state can be assessed. Overall, this approach to political analysis grants agency to a range of social forces in shaping and constraining the efficacy and political viability of these reforms over time, offering a starting point for a dynamic analysis of the state.
In sum, the literature on the international political economy of the Latin American region has historically been characterised by a debate between modernisation theories influenced by liberal understandings of change, and the ‘dependency’ school which draws on critical insights about the nature of international capitalism to challenge the benign assumptions about progress. This debate is highly relevant for this study since it runs through the literature on the region since independence, and is reflected in the literature on international development reviewed in Chapter Two. However, these structural accounts are overly simplistic and generalised, tending towards pathological explanations, blaming either the cultural inadequacy of the region or the insidious nature of international capitalism, that often collapse into ideological contests, mechanical arguments, and offer limited insights into the nature of political change. Political explanations can overcome this by allowing for contingency and a dynamic analysis: a multi-layered analytical approach allows for the incorporation of external influences, while leaving space for agency from national actors in their response to these corresponding opportunities and constraints. The next section reviews the literature dealing with the state and democratisation in Latin America to identify elements relevant for developing this approach, while the following section assesses the input from society-based explanations.

### 3.3 Latin American politics and development: the state

In structural accounts of Latin American development, institutional weaknesses in the state were traced to the historic legacies of colonialism and the failure of modernisation. Modernisation perspectives emphasised the endurance of traditional elites, authoritarianism and clientelism while dependency approaches used class analyses to underline the ways in which external interests dominated the state and used state power to perpetuate capitalist rather than national interests, undermining national integration. But
few mechanisms are identified for explaining how certain features of
the state and elite politics were reproduced over time, while in other
cases, new dynamics took hold. New institutionalist approaches from
the 1970s sought to overcome this by developing political
explanations that treated the state as an object of enquiry, not a by-
product of social change (Pierson 2004:70). The literature on the
developmental state examined issues around the capacity of the state
to deliver economic development and reasons for its collapse,
offering a dynamic analysis of the institutions of the state and their
interaction with society. The literature on democratisation in the
region develops this analysis further by examining the nature of the
state under neoliberalism, and its performance in terms of
institutional and democratic goals.

Nuanced institutional approaches offer explanations of how legacies
of past underdevelopment affected the capacity of the state, and the
elites dominating political power, to respond to opportunities and
constraints offered by changes in the international economic order.
In particular, dynamic, blended approaches permit an analysis of
how continuities were punctured by critical junctures that gave
opportunities for agency for political and economic elites, as well as
emerging social forces, to effect institutional change (Thelen
1999:400-401). Outcomes are viewed not merely as a function of
structural change, but rather in terms of the choices and actions of
different actors in relation to existing institutions in each case. These
approaches respond to the concern of this study with situating the
state within an historical and international context. Mahoney (2001)
developed a ‘mutually constitutive’ approach combining path
dependency with critical junctures to analyse the ways that different
Central American countries responded to the 1929 crisis. This
approach explicitly deals with the strength of state institutions
inherited from the era of the Liberal boom, when modern state
bureaucracies were first introduced, in the comparative historical
analysis. Allowance is made for different initial conditions such as
population and geography, however elite behaviour and choices in the Liberal boom vis-à-vis institutions are identified as a key variable for explaining variance post-1929 (Mahoney 2001:4-6). The study concludes that firmer elite consensus during the boom facilitated the growth of stronger state institutions and greater capacity to establish order and recovery after 1929, albeit by authoritarian means in some cases (Mahoney 2001:33-35). This approach offers a distinctly political analysis of the evolution of the state that views it as more than the representation of elite interests, and so goes beyond structural accounts. More importantly, this approach offers evidence to support the argument that while international economic crisis heavily influenced cycles of political instability, the existing regime type and its institutional capacity to respond to social discontent mediated the structural shock to deliver different outcomes (Lindenberg 1990:418-9). This offers a convincing approach to including political agency as a contributing factor to developmental outcomes, and insights into how issues of state capacity, and authoritarianism, experienced in one era of political economy carry forward into ostensibly different circumstances.

This blended approach also offers insights into the variance among different cases, and into how relative cohesion among elites in one era can deliver institutional gains in state capacity and modernisation that carry through in positive ways. Studies of South America in the same period highlight greater prosperity and industrialisation prior to 1929, and in particular the strength of industrial trades unions, along with differences in size and distance from the United States, to explain the apparent break with continuity and the rise of the developmental state in the Southern Cone. Here, just as in Central America, the collapse in economic fortunes caused political divisions among elites, and economic hardship intensified social discontent and generated nationalist feeling. But in this region trades unions were particularly important in mobilising for political and social change, and elites were divided over the appropriate response to
these pressures (Wiarda 1998:39). State institutions and bureaucracies struggled to offer effective policy responses to the effects of the crisis and were ill-equipped to resolve political conflicts. In Bolivia the failure of liberal authoritarian regimes to provide order or to respond to the socio-economic demands of new social forces facilitated a political revolution in 1952, which saw the overthrow of the traditional political elite and the introduction of progressive political reforms and economic nationalism (Dunkerley 1984). In other Southern Cone countries nationalism and social mobilisation led to the emergence of populist leaders based on broad coalitions of support from trades unions. These governments, with the support of ECLA and its principal economist Raul Prebisch, led the way in introducing alternative ISI development strategies for industrialisation in the 1940s (Baer 1972:97, Kay 1989:29-37). Evidence of success in the Southern Cone meant that even in Central America where industrial trade unions were small and precluded the emergence of mass-based trade unionism, some degree of developmentalism was introduced, and the Central American Common Market was set up in 1960 (Torres-Rivas 2007:91). This analysis highlights the potential of social forces at critical junctures to shift the composition and scope of action for political elites and serve as the impulse for changing the role of the state in the economy.

The literature also highlights how the move towards economic nationalism was contested and how the reforms carried out and implemented under developmentalism were resisted by opponents. Politically, industrialisation entailed a shift towards corporate interests of trade unions in state-owned enterprises and the bureaucracy away from the dominance of traditional agro-exporting elites. In Central America, pressure for agrarian reform was met with fierce resistance from traditional elites and from US-based foreign companies (Torres-Rivas 2007:95). In other countries, revolutionary and national-popular governments had initial success, but were persistently challenged by forces aligned to traditional elites and the
military increasingly intervened to arbitrate disputes (Kay 1989:198, Kirby 2003:156). To fund industrialisation, there was still considerable reliance on primary commodity exporting to generate revenue across the region (Hirschmann 1968:3), and concessions were made to accommodate elites. As result, land reform and ISI policies were only partially implemented. Rising inflation and unemployment in the 1960s strained populist coalitions and generated greater opposition from traditional elites as well as rural peasants which had been excluded from the benefits of ISI (Demmers et al. 2001:5), and initial political and economic progress was followed by reversals (O'Toole 2007:41). The cohesion among the forces behind developmentalism was contested from within the supporting coalition and from those without, highlighting the importance of shifting political dynamics.

To complement the examination of political support behind developmentalism, the literature on the developmental state offers an analysis of the strength of the state, in terms of its autonomy and embeddedness, to explain developmental outcomes (Evans and Rueschemeyer 1986:47). Autonomy and embeddedness refer to the degree to which state institutions remain independent from dominant groups in society, yet capable of responding to societal demands and of implementing changes without resorting to despotic means. In the Latin American context, public and private interests traditionally overlapped and authoritarian means were commonly deployed to preserve oligarchic privileges. The adoption of ISI policies demonstrated the potential of the state to devise and implement economic strategies for development that went beyond the simple translation of the interests of an elite or group into the national interest, with a tentative move towards democratisation (Skocpol 1986a:9). In comparison with the gradual, ad hoc reformism of the pre-1929 era, under developmentalism there was an attempt to fundamentally re-align the role of the state in the economy, and vis-à-vis society with reference to goals of order,
prosperity and social justice. The expansion of state functions included an increased responsibility for social welfare and a more central role in directing economic activity. Priority was given to producing manufactured goods, with the nationalisation of industries and the imposition of price controls and subsidies (Smith 1998:59, Tickner 2003:327). This was principally achieved using the surplus generated from agriculture and traditional primary export industries to invest in new industries, and to finance the growing state bureaucracy and new social policy measures. Political and social reforms included the extension of universal suffrage, education and land reform and the introduction of some forms of social protection for workers. Modernisation and expansion of the state under this economic nationalist logic took place to varying degrees in countries across the region, and tentative steps were taken to engage in regional trade agreements.

But the literature highlights that there were limits to the coherence of developmentalism in practice. Bestowing a strong role to the state did not result in the automatic and immediate transformation and substitution of the institutions and practices of the previous era. In contrast to East Asia, state bureaucracies in Latin America were fluid and weakly institutionalised (Woo-Cumings 1999:13) and were characterised by corporatist relations that lead to state capture and fragmentation rather than embedded autonomy. Most prominently, the blurring of the private and the public continued under populist leaders and in the oligarchies of Central America. Recent literature on populism in the region interprets it not as a symptom of dependency, or a failure of modernisation (Weyland 2001:4), but as an explicitly political concept. In the context of the ISI era, populism can be best understood as a style of leadership that sought legitimacy:

... an appeal to ‘the people’ against both the established structure of power and the dominant ideas and values of the society (Canovan 1999:3).

In Latin America, classic populist regimes were both anti-oligarchic and anti-communist, and aspired towards economic nationalism,
with a strong state and redistribution (Demmers et al. 2001:4). Initially, populism facilitated a break with the Liberal oligarchic state and brought a series of progressive changes, including the modernisation of the state, industrialisation and technological upgrading in the economy, and social and democratic reforms. At the same time, the politics of populist leadership began to undermine the autonomy of the state to make and implement decisions, and this eventually eroded its capacity and led to acute political instability.

In practice, the politics of redistribution, interacting with authoritarian legacies, undermined the promise of a strong state over time. The state began to serve as a source of employment and patronage, which resulted in dual functions within the state. One part was modern and meritocratic, leading developmental policy-making; another cultivated clientelism for political ends (Smith 1998:63). The persistence of patterns of patronage and clientelism undermined the logic of state-led planning. Therefore, even in cases which seemed to have broken away from traditional patterns of elite capture, corporatism infiltrated and captured parts of the modernising state apparatus (Vellinga 1998:4). In the implementation of ISI, effective protection caused price distortion, and inconsistent policies resulted in duplication and bottlenecks in the economy (Baer 1972:104-5). These technical problems in the implementation and the phasing of industrial policies were related to issues with the populist state, and contributed to the collapse of developmentalism by the 1970s. This literature reveals how the developmental state interacted with political dynamics in contingent ways (Evans and Rueschemeyer 1986:68-9), and sets out the mechanics of how weak institutional legacies inherited from the past interacted with new practices. This literature identifies institutional legacies that may have carried forward into the neoliberal era, and these dynamics are relevant for analysing the implementation and impact of neoliberal reform on the state.
Another literature, dealing with the role of the military in politics in the region, offers further insights into how external forces contributed to the collapse of the developmental state. The changing role of the military was heavily influenced by the role of the United States. Initially, ISI was broadly welcomed by the United States under the Alliance for Progress (Smith 1998:64). The United Nations actively promoted developmentalism, and ECLA was a key actor its agenda spreading ideas and expertise about ISI and state reform across Latin America in the 1950s and 1960s, through training civil servants in planning and offering a set of principles for the reform of the state. But at regional level, the Cuban revolution in 1959 began to charge the debates around economic nationalism with ideological colour between conservatives and those advocating radical reform, or even revolution, as a means of overcoming political, economic and social instability. This had important effects in shifting the stance of the United States against reformist regimes, and covert support began to be given to the military across the region, contributing to its expansion and professionalization. As a result, the influence of the United States became internalised and Latin America became a theatre for the Cold War (O'Toole 2007:53, Philip 1996:7-8). This illustrates how ideological contests at international level influenced national level politics, and the mechanics of how external actors could translate this into direct influence on politics and the state.

These trends had particular political effects in a continent marked by the virtual absence of conflict between countries (Krujit 2001:4), and the military became a politicised actor. Traditionally, the military had acted as an extension of elite power, capturing the state when necessary to protect its interests. But in the Cold War climate, military intervention evolved from reactive goals of protecting elite interests and moved towards aims of replacing politics altogether, with military rule driving economic modernisation while maintaining social order (Valenzuela 1985:135). In the most extreme cases in the Southern Cone, by the 1970s the military was driven by desire to
replace corporate state-society relations with a new matrix based on the market and technocracy (Garretón 1991:105-6). The dictatorships and military regimes, which controlled the bulk of the region by the 1970s, still tended to favour traditional elite interests. The state apparatus was taken over by the military on behalf of elites, nationalisation policies were reversed and taxation on export industries owned by oligarchic elites was relaxed. But the politics of military rule meant that regimes were neither united nor autonomous from society (O’Toole 2007:54). Some adopted the populist-reformist character of the era to ensure support from corporate sectors of civil society, especially peasants’ associations. Under a variety of forms of authoritarianism a mixture of patronage, accommodation and violence continued and provided a reformist impetus in some contexts. In other cases military rule facilitated vast corruption and repression. Overall, instead of correcting the excesses of the developmentalist state, military regimes in the 1970s further distorted state functions and led to the contraction of high levels of external debt which laid the foundations for the debt crisis. The economic crises of the early 1980s challenged the foundations of the political pacts that underpinned military and dictatorial rule across the region and showed them equally unable to cope with the tensions of providing both growth and social order (Eduardo Silva 2004:141) as populist or revolutionary regimes, reiterating the relevance of state autonomy for explaining developmental outcomes.

Turning to the literature on democratic transition, the decay of authoritarian rule, a breakdown of order, and economic crisis are posited as the principal factors precipitating democratisation at national level in the region (Gill 2000:8-9). Transitions were principally negotiated between elite actors from traditional elites, and high-ranking officers in the military, although in some cases the leaders of new corporate groups such as peasants’ associations and trades unions were also involved. By the early 1990s, with the establishment of electoral democracy and the withdrawal of the
military from politics across the region the prospects for a return to authoritarian rule in Latin America were deemed to be minimal. This so-called ‘third wave’ of democratisation took political scientists by surprise, and it quickly became enmeshed in the optimism surrounding the end of the Cold War, contributing to liberal triumphalism and the reassertion of modernisation theories. But after the initial optimism of the post-Cold War era, early assessments of the quality of democracy in Latin America were pessimistic about the prospects for consolidation in the context of economic crisis and neoliberal reform. In particular, newly democratic states were perceived to be incapable of mounting effective policy responses that could contain social conflict (Remmer 1990:315). In this context, minimal procedural definitions of democracy, focussed on elections, were deemed insufficient for understanding democratisation in the region (Karl and Schmitter 1991:76).

To overcome this, Linz and Stepan (1996:6) developed a model of consolidated democracy incorporating fundamental electoral preconditions, while dealing with the concerns of institutional approaches, by focussing on the nature of the modern state (Rose and Shin 2001:336). Democracy is described first and foremost as a system of governance of a state. A consolidated democracy is depicted as an interacting system of five major arenas, each with a primary operating principle: the rule of law based on constitutionalism, a state apparatus with rational-legal bureaucratic norms, economic society with an institutionalised market, civil society with freedom of association and communication, and political society with free and inclusive electoral contestation (Linz and Stepan 1996:14). By examining these arenas, this model offers a means of assessing the extent and prospects for democratic consolidation. In comparison with these benchmarks, democratic consolidation in Latin America remained a seemingly remote prospect. With such a range of imperfections across the region, it was not clear how to describe these unconsolidated democracies in
precise and meaningful ways (Diamond 2002:21-22). Latin American
democracies were described as ‘low-intensity’ or hybrid regimes,
where authoritarian enclaves persisted alongside elements of a
consolidated democracy (Karl 1995:73). While civil and political
liberties relating to elections were for the most part and increasingly
in the 1990s, guaranteed, the rule of law remained weak, with
impunity for military leaders and the persistence of authoritarian
practices (Kirby 2003:78). Political parties became vehicles for
securing elite privileges from the state, and civil society was unable to
serve as an effective check on state power. The state apparatus
remained permeated by clientelist and corporatist practices,
inhibiting its capacity as well as the growth and regulation of an
effectively institutionalised market.

From a market-based perspective, the problem lay not with the
content of neoliberal reforms, but rather with how they were
implemented: weak political institutions bred discontent and weak
economic institutions contributed to poor economic performance,
and these dynamics interacted to undermine economic development
and democratic consolidation (Silva 2009:10-11). In the neoliberal
model growth was the ultimate goal, since it could provide the basis
for both economic development as well as providing the surplus to
satisfy the socio-economic expectations associated with
democratisation. In the initial conceptions of the neoliberal model, a
key element for encouraging growth was to reduce and improve the
role of the state in order to neutralise the effect of politics on the
rational operation of the market. This was embodied in the World
Bank’s (1997) approach to institutional strengthening and good
governance. Reforms affected the structure and functioning of the
economy, but also the role of the state in the economy. This
represented a retreat away from developmentalist principles and
resulted in the elimination of planning functions within the state, the
reduction in the size of the public sector, and the abolition of price
controls and subsidies. Under stabilisation programmes, social sector
ministries were subject to drastic spending cuts and there was widespread downsizing and privatisation of state-owned enterprises and public utilities. This approach to the state was implemented across the region in the 1990s.

Critical assessments were not only pessimistic about the prospects for consolidation, but questioned the suitability of procedural approaches to democratisation in the region. Liberal democracy, it was argued, had been introduced ‘by default’, and since these regimes were formed by pact rather than rupture with the past, they were described as ‘façade’ democracies (Whitehead 1992:150-7). The economic crisis of the 1980s and the response to it were seen to have strangled the possibilities of democracy from the outset. The austerity induced by structural adjustment programmes, it was argued, undermined the legitimacy of nascent institutions and democratic regimes and consolidated the political, economic and social inequalities inherent in these societies (Whitehead 1992:157, Silva 2009:25). The persistence of authoritarian enclaves not only undermined governance, but also citizenship, since the possibilities for social justice were limited (Lievesley 1999:180, Torres-Rivas 1993, Torres-Rivas 1996a). Critical approaches challenged the procedural solutions offered by the liberal model: democracy, it was argued should not just solve procedural problems of governance relating to the state, but also citizenship, which related to socio-economic criteria, and civil society (Garretón 1991). An alternative approach to assessing democracy was proposed, based on substantive criteria around socio-economic justice, participation and legitimacy, which were seen to supersede the procedural concerns of the mainstream literature. This alternative approach is highly relevant for this study because it relates the nature and role of the state in the economy under neoliberalism to the nature of democracy, and offers a role for civil society.
Critical analysts contested the assumption that the content of neoliberal reforms was politically and ideologically neutral, focussing on the substantive outcomes. Prior to the neoliberal era, social protection policies in Latin America had tended to be highly residual, primarily protecting those in certain sectors of formal employment, with widespread neglect of the poor, especially in rural areas (Barrientos et al. 2008:760, Birdsall and Szekely 2003:62). But in its first phase, neoliberal reforms exacerbated the situation by further undermining capacity: institutions responsible for planning and social welfare were dismantled and this, along with swingeing budget cuts, removed instruments for responding to the effects of the economic crisis, let alone deal with poverty and inequality (Silva 2009:24). While the second generation of neoliberal reforms acknowledged the need to give greater attention to social policy, the rationale was principally technical: with the failure of stabilisation, recovery and modest growth to deliver the expected trickle-down, improving social capital came to be seen as an important factor for accelerating growth. This was accompanied by the recognition that increasing unpopularity and discontent – as a result of the unrealistic social expectations raised by democracy – could further destabilise weak political institutions and endanger the entire neoliberal agenda (Molyneux 2008:784). New social policy measures aimed to cushion the impact of structural adjustment by targeting expenditure using social funds and social assistance schemes, and contribute to the human capital base to support growth (Huber and Solt 2004:161-2). From a critical perspective, this eschewed a return to principles of universal social assistance, and eliminated state responsibility for social welfare. Overall, the tendency of neoliberalism to deal with political and social problems as technical issues, with technical solutions, overlooking the importance of the political context and issues of legitimacy and justice was challenged (Patricio Silva 2004:158). Radical critics posited that under globalisation, this model of liberal democracy and of the governance of the state served as the political corollary of the economic project of neoliberalism,
seeking to mould societies into compliance with a broader neoliberal project (Garretón 2003:41, Lievesley 1999:11).

For this study, these critical insights underline the need to assess the extent and impact of neoliberal reforms on the nature and role of the state in the 1990s to establish the context in which the PRS approach was introduced. However, the insights offered are limited, since it is clear that by the late 1990s Latin American countries were not moving closer either to democratic consolidation according to the procedural and institutional model, or to fulfilling the substantive criteria put forward by critical perspectives. In spite of the gloomy prospects and persistently disappointing outcomes from democracy and neoliberal reforms, these countries recovered economically and survived politically without collapsing back into authoritarianism (Remmer 1990:335-6, Weyland 2004b:137). It was difficult to discern whether the overall record of democratisation was undermined by tensions with the programme of neoliberal economic reforms, or whether the goals of both democratisation and modernisation of the state continued to be undermined by historical political dynamics. These issues were reflected in the literature and greater attention began to be paid to how these imperfect democracies actually functioned (Munck 2004:451, Gwynne and Kay 2000:151, Weyland 2004a:147), although a broad dichotomy persisted. From an institutional perspective, waves of reform were producing only slow progress towards political and economic transformation, and the anticipated trickle-down to poorer sections of societies in Latin America was not happening as quickly as expected. The partial implementation of reforms was recognised, and this meant that the role of the state did not correspond to a strict neoliberal logic. In practice there were different segments responding to different logics, and the persistence of authoritarianism and the resurgence of populism under neoliberalism was studied in depth (Weyland
This literature moved beyond predictions of when or if consolidation would occur to pay greater attention to the mechanisms by which sub-optimal outcomes were produced and sustained. The weakness of the state became a mainstream concern and the expansion of the World Bank’s neoliberal agenda to embrace concerns with ‘good governance’ as a pre-requisite for growth (Tilly 2007:186-188) mirrored the focus on different arenas in Linz and Stepan’s model of consolidated democracy (Eduardo Silva 2004:149-150). The incentives of political elites to implement thoroughgoing reform of the state and its role in the economy to deliver both development and democratic governance became a key theme for political scientists and for aid donors (Mainwaring and Scully 2010:372-374), and clearly influenced the emergence of the Poverty Reduction Strategy approach.

Others paid greater attention to the substantive issues, seeking political explanations for the persistence of these regimes over time. Crabtree and Whitehead (2001b) developed a critical account of the Bolivian case, seeking to synthesise the procedural concerns of the model developed by Linz and Stepan while also incorporating substantive issues around the legitimacy and performance of democracy over time. A set of criteria are used to assess five areas: legitimacy, institutional consolidation, citizenship and inclusion, a qualitative assessment of the nature of civil society, and finally an understanding of performance legitimacy that takes into account the regime’s capacity to reproduce support. This critical approach allows for cyclical rather than linear interpretations of democratisation and change (Whitehead 2001b:16), permitting an analysis of how neoliberalism was implemented and contested over time. External vulnerability is included as a variable constraint to democratic viability echoing the concern of this study with understanding state-society relations within constraints posed by the prevailing international economic order (Crabtree and Whitehead 2001a:231-232). The approach is applied to the Bolivian case, and the findings
highlight how institutional reform under neoliberalism took place alongside the persistence of legacies from previous eras. In practice, these mechanics may have undermined both the rule of law and socio-economic outcomes, but at the same time permitted the regime to reproduce support, and remain viable while unconsolidated as a democracy. The persistent gap between the procedural and substantive performance of democracy is regarded as problematic for containing social conflict. The detachment of political party competition in electoral processes from the socio-economic impact of policies implemented in office is highlighted as a long-term concern for democratic viability. As such, this approach offers insights into how to assess variable and varying experiences of neoliberal reform across the region. Moreover, this approach to democracy from a substantive perspective responds to the concerns of this study with the relationship between the Poverty Reduction Strategy process, the role of the state and democracy.

The persistent gulf between the needs of citizens and the formal political system in Latin American countries was causing disquiet across the literature by the early 2000s (Garretón 2003:50, Lagos 2001:144, Weyland 2004b:144-6). A major report on democracy in the region was compiled by the United Nations Development Programme (UNDP) in 2004. This report celebrated twenty years of uninterrupted progress towards democracy in the region, but expressed concern that democracy was losing its vitality. This was based on survey evidence that across Latin America people did not perceive that they were better off under democracy than they had been under authoritarianism, and that their expectations of democracy had not been met (UNDP 2004:35). The report highlighted that alongside the sustained advance of the Washington Consensus reforms and electoral democracy, regional averages of income per capita remained relatively unchanged. Poverty decreased marginally in relative terms, but the actual number of poor people in the region increased, while inequality remained stubbornly high, at
the highest levels in the world. Finally, the employment situation across the region had deteriorated with growing informality and falling social protection. With these findings, the UNDP report echoed the concerns of critical analysts about the political neutrality of the neoliberal model, and the failings of this development model over the same twenty year period to deliver the socio-economic benefits associated with democracy (UNDP 2004:36). While this resonates with the claims of dependency approaches to the region, the UNDP does not fault globalisation or neoliberalism per se, but rather highlights the persistent challenge of developing state capacity in the region:

A state without power transforms the electoral mandate into an expression of will with no consequences (UNDP 2004:34)

This approach to the state is in line with more recent work of ECLA on neo-developmentalism in the late 1990s and 2000s, which go beyond the procedural concerns of the World Bank’s approach to good governance embodied in the PRS approach. In 2002, the election of Luiz Inácio ‘Lula’ da Silva as President in Brazil in 2002, heralded a so-called ‘pink tide’ of left-wing leaders across the region (Lievesley and Ludlam 2009:1). These events have contributed to an evolution in the debate around neoliberalism and democracy in the region towards a neo-developmental approach to the state (Kirby 2009:134-6). There is a clear focus on substantive outcomes, in terms of productive transformation with social equity (Leiva Lavalle 2000:104), rooted in context-specific challenges to state capacity and democratisation in Latin America (UNDP 2004:48). For the purposes of this study, this approach to democracy and the state is particularly useful because it looks for political explanations and solutions to development at the national and regional level. The influence of the Washington Consensus on the region is acknowledged, without attributing all of the outcomes to the international market, or its key actors (Panizza 2009:18). Finally, it highlights features around the role of the state in development, and
the political obstacles to reform of the state that are relevant for understanding the PRS experience.

In sum, the literature on the state in Latin America highlights historic patterns of state weakness and persistent legacies of authoritarianism, clientelism and corruption that have been associated with different development models in different periods of time. Institutional approaches highlight how the degree of elite cohesion and the nature of elite choices can create institutional legacies and continuities that help to explain the role and capacity of the state across different periods. The literature on developmentalism highlights issues around state autonomy, and identifies mechanisms by which institutional weakness and political contestation can undermine the capacity of the state in practice. The literature on democratisation in the region has been characterised by a debate over the relationship between the role of the state in development and democracy. Procedural approaches offer insights into elite incentives for engaging in institutional reform but retain only a residual focus on developmental outcomes beyond growth. Critical analyses highlight tensions between neoliberal reform and democratisation and how substantive issues relating to poverty affect the viability of democracy over time. The neo-developmentalist literature on democracy goes further and advocates a direct role for the state in establishing equity as a fundamental part of democracy, offering a distinct benchmark for assessing the role of the state. In these debates on democracy, there are implicit and explicit roles for civil society, which will be discussed in the next section.
3.4 Latin American politics and development: civil society

Historically, civil society and social movements in the Latin American context have been explained in ways that give priority either to structural features of the international economic and political orders, or to the centrality of the state. The failure of structural accounts to offer convincing accounts of different outcomes across the region, and the partial focus of state-centred explanations points to the need to offer a means of understanding the bottom-up agency of social actors as a source of change, responding to the requirement of this study for a dynamic approach. The literature on new social movements in the region offers an insight into the constitution of collective actors around non-material issues, and their strategic interaction with material issues, other social actors, and the political context. Analyses of civil society under neoliberalism have highlighted patterns of continuity and change, as well as offering a dynamic approach to state-society relations for understanding growing protests against neoliberalism.

Structural accounts of the region tend to treat civil society as a by-product of socio-economic change. The impact of improvements in communications and infrastructure on population growth, urbanisation, changes in class composition and the emergence of a modern state bureaucracy have been charted in detail. In this context, the emergence of newer social groups, such as trades and public sector unions, professional associations, the media, university students and intellectuals, and their growing strength and influence tends to be treated as something automatic. From a modernisation perspective, the introduction of universal suffrage and tentative policies to deal with poverty and social development are natural developments, while economic reversals, populism and military rule are treated as failures, or aberrations to be corrected. Civil society becomes a source of failure: emerging social forces are blamed for
distorting political and economic liberalism through capture of the state, and for failing to serve as an effective check on despotic state power. Dependency narratives offer greater insights into these dynamics through class analysis. These accounts emphasise the ways in which nascent social forces were co-opted and instrumentalised by elites and the capitalist state, undermining the potential for revolutionary social change. For example, under primary commodity exporting, the development of the working class was seen to have been undermined by the focus on agriculture and primary industry. The relative success of ISI in delivering employment and modernisation was undermined because social inclusion was limited to growing middle classes and a new labour aristocracy (Silva 2009:20-22), while rural development was systematically neglected. Populist leaders underpinned their political support with corporatist arrangements, and swayed unaligned masses with promises of patronage (Vellinga 1998:8), strangling the Marxist goal of a class-based social transformation.

Yet while this analysis reveals elements of contestation between groups in society, the co-optation of social forces by elites tends to be treated as an inevitable outcome of the international division of labour. In reality, the emergence of these collective actors and their conversion into social forces, especially trades unions, were negotiated processes with differing outcomes across the region, and cannot be completely explained by a simple class-based analysis of change. Even the military evolved over this period, acquiring preoccupations with the role of the state in economic and social policy beyond the traditional concerns of defence. The military often used its collective power to extract concessions from the state to satisfy middle-class demands (Zirker 1998:70), and to engage in reformism where necessary to do this, belying a simplistic interpretation of the military as an instrument of traditional elites. In general terms, the societal changes and trends detailed are indisputable, but their framing in the structural narrative remains
problematic because the conclusions about social change are overly deterministic (Kirby 2003:164) and fail to account for diverging experiences within the region. As a result, the potential of bottom-up agency of social actors as a source of change demands greater attention. Moreover, the lines between the state and society are assumed to be clear, yet in practice they are vague and shifting, and the fluid interaction between state and society are left underexplained.

State-based explanations are powerful not least because of what Foweraker describes as the ‘overwhelming presence of the state in the political economy of Latin America’ (1995:31). From a state-based perspective, social conflict is a result of weak states: the failure of political institutions to successfully manage the economy, channel social demands and contain political conflict. One historical perspective describes how weak states were engendered by the lack of external wars in the Latin American region. As a result, states lacked the conditions for establishing sufficient autonomy and infrastructural power to penetrate societies to maintain order and integrate societies. The ways in which these legacies were perpetuated through state and class formations are highlighted (Silva 2009:12-13). In the history of the region, the state constitutes a clear political centre in relation to which social movements and civil society action must be related. However, the centrality of the state becomes problematic for analysis when it becomes difficult to distinguish an arena distinct from the state, and when a distinct ‘public space’ has been historically lacking (Jessop 2001). This underlines that even with democratisation civil society remains both a future goal and an arena of contestation between different social forces in Latin America. The diverse trajectories of social and political change in countries across the region until the 1980s refute any automatic link between the emergence of social forces and democratisation. Rather, these processes were characterised by contestation among different groups in society, as well as by
mediation and instrumentalisation by political elites, by interaction with the state, and by influence from abroad. For the purposes of this study, the complexities of society-based explanations in each case need to be drawn out to understand the nature and role of civil society in political change at the cusp of democratisation.

In the literature, the nature of social movements, and the scope for agency in delivering change vis-à-vis the state and the broader regional political economy, became a focus as a result of the unprecedented wave of democratisation in the 1980s. The rise and role of social movements in Latin America attracted great attention. In particular, the significance of the experience of women’s movements, peace movements and broad based mobilisations for change in undermining authoritarian rule in the region were examined. The ‘newness’ of these social movements in Latin America derived from their focus on issues not specific to class (Foweraker 1995:36), especially human rights and the democratisation of the authoritarian state. Identity-based approaches went beyond the material analysis underpinning the class-based analyses or resource-mobilisation theories of North American scholars. While many of the new social movements had concerns and activities relating directly to socio-economic issues, there were broader democratising impulses embodied in the means and ends of social protests. Unlike revolutionary movements, new social movements sought to transform state power rather than to capture it (Stahler-Sholk et al. 2007:12). European approaches to civil society and social movements, influenced by the work of Alain Touraine, were used to understand the identities created and represented by social movements (Escobar and Alvarez 1992).

Clearly this approach embodied utopian ideals of democracy and civil society (Chandoke 1995:11, Hall 1995:1). The prominence of social movements and civil society activism in the immediate pre-democratic period was mirrored in experiences across Eastern
Europe and the former Soviet Union in the 1990s. There was considerable excitement about the role of these ‘new’ social movements for overcoming the old, tired structural paradigms, and for delivering a new type of development based on social democracy. As such, these new social forces were seen as the vehicle for democratising society, for overthrowing the despotic state and for reorganising socio-economic relations on egalitarian lines. In this, there was a call for a new understanding of the political in Latin America that look at the construction of collective identities as social and political processes that were not simply derived from the ‘forces of modernisation’ or ‘structures of dependency’ (Alvarez and Escobar 1992:319). This literature is relevant for this study by returning agency to social forces and offering a perspective on how changes within society translate into social mobilisation and political expression. In the excitement however, the promise of social movements was perhaps celebrated too soon (Kirby 2003:168), and too little attention was given to the actual experience of social movements, and their relations with existing civil society organisations, political parties and state institutions. This reiterates the importance of placing the analysis of social movements, and of civil society, in a broader political context.

Ultimately this wave of democratisation in Latin America is viewed in the mainstream literature as an elite-led process, highlighting the continuity in the nature of civil society. It was primarily the leaders of the traditionally important social forces which determined the course of political transition: landed elites, business elites and the military. The withdrawal of the military took place differently in each case depending on the nature of authoritarian rule and the trajectory of the transition to democracy (Zirker 1998:72). In some cases the military were discredited as an actor, but still enjoyed relative impunity such as in Argentina. In others, such as Chile and Honduras, the military continued to have considerable influence over political leaders and economic policies into the 1990s. The leaders of
some other corporate groups or ‘new elites’ had important roles in negotiating the transition as well, especially trades unions, intellectuals and professional associations. The broad membership of traditional social forces such as trades unions and indigenous associations along with the mobilisation through new social movements did play an important role in accelerating the decay of authoritarian rule through protests, violent resistance and in pressing for democratic change, but overall their role tended to be obscured by elite dynamics (Panizza 2009:78). This was compounded by the fact that rather quickly after democratisation in Latin America, social movements tended to diminish in importance in the political spectrum. Strategically, the disintegration of social movements can be seen as a natural development: once the immediate goals of mobilisation were achieved, divisions and conflicts surfaced (Foweraker 1995:104). The subsequent disillusionment was reflected by growing disinterest in social movements in the literature, yet as a result, their impact on democratisation may have been left under-explained. For this study, this highlights the need to trace the political evolution of social forces under neoliberalism.

In the literature, from the dominant liberal perspective, the decline of social activism was seen as a response to the normalisation of political life under democracy (Stahler-Sholk et al. 2007:5). The need for social movements naturally ebbed with the introduction of democracy and the move of political parties and elites to centre stage, and civil society concerns moved away from political and civil liberties towards social and economic issues. Although social movement activism diminished, civil society remained a central concept for the liberal democratic model in the region, especially as it became clear that the introduction of formal electoral democracy failed to put countries on the path to consolidated democracy. A role was envisaged for civil society in overcoming an illiberal political culture reflected in the weak rule of law, weak party systems and poorly consolidated institutions. The decline of traditional collective
actors of the left, especially industrial trades unions, as a result of the cumulative impact of reforms on employment and labour protection (Weyland 2004b:147) was not lamented, since these actors were associated with the corporatism and populism of the ISI era (Tendler 2004:131-132). Minimising their influence on policy-making and economic activity was viewed as a move towards democratic consolidation, as well as facilitating neoliberal reform. Meanwhile, as set out in detail in Chapter Two, new civil society organisations were seen to have the potential to support both democratisation and development by enhancing the accountability of the state and the functioning of the market. At local level in particular, civil society organisations were seen to be ideally placed to engage in the delivery of social services and to address the needs of the poor, in lieu of expanding state functions (Gwynne and Kay 2000:150).

In contrast, for critical analysts and radical activists the decline of social movements caused dismay. This was part of a general crisis of the left in Latin America at the end of the Cold War, when the ascendancy of neoliberalism neutralised opposition to reform with the idea that there were no policy alternatives (Biekart 2001:192). The depth of the economic and social crisis compounded the decline of revolutionary left-wing forces after democratisation (Figueroa Ibarra and Uggen 1997:119). Social movements had been seen as the ‘new’ collective actor, replacing trade unions and corporatist groups as the basis for delivering political change and social transformation. From a radical perspective, the installation of electoral democracy was viewed as part of a neoliberal capitalist project, which undermined genuine forces for democratisation and preserved elite privileges and inequality in society. The perceived retreat of social mobilisation in the immediate aftermath of electoral democracy led to disillusionment on the part of activists and fuelled suspicion and cynicism towards new civil society actors that engaged with neoliberalism. The neoliberal project, it was argued was resulting in the colonisation or control of civil society in Latin America (Kirby
Procedural democracy along with neoliberal reform disallowed the emergence of participation emblematic of the new social movements (Lievesley 1999:179). But activists continued to call for a radical overhaul of democracy, with a greater role for civil society participation at every level of the state, hearkening back to the peak of social movement activism. Even with the decline in activism some new civil society organisations perpetuated these ideas and values in their work in the 1990s. This perspective is important for this study since it conceives of civil society as a goal of democracy, a work in progress, rather than something given as a result of democratisation. In this, rather than the watchdog of a liberal consensus, civil society is characterised as a site of contention between different groups in society, highlighting the need for a political analysis of its composition and role.

The contribution of these theoretical interpretations of civil society and democracy is limited, since by the late 1990s, the nature and role of civil society was decidedly mixed. The decline of ‘old’ class-based civil society actors representing the interests of the poor was mirrored by the rise of new civil society actors under neoliberalism, most notably NGOs working on local development, representing marginal sectors of society and lobbying for greater attention to socio-economic issues. Increasing official and private aid flows in the 1990s contributed to the proliferation of NGOs. The inclusion of a range of civil society partnerships was a significant feature of the new modalities in social policy, and the development of national plans to deal with human development, rural development and poverty (Molyneux 2008:784). Civil society was also influenced by the growth of international solidarity networks in the 1990s campaigning for the democratisation of global governance and pressuring national governments for change (Biekart 1999). These trends were important for Latin America, as activist civil society organisations had strong links with, and received financial support from, transnational civil society networks (Reimann 2006:46). Latin American civil society
organisations were particularly visible in civil society activism in issues around trade, debt and finance for development at international level, influencing the architects of neoliberalism and the focus of donor support to Latin America, as described in detail in Chapter Two. But at times the neoliberal and participatory aims of civil society became conflated: the language of participation and empowerment encroached onto the agenda of aid conditionality and structural adjustment, yet once they were there, the content of these terms became appropriated by the neoliberal orthodoxy (Kirby 2003:170). In Latin American countries, as neoliberal reform deepened it often became difficult to clearly separate ‘neoliberal’ from ‘activist’ civil society actors in the region, as both engaged in spaces for participation. For critical analysts, this was evidence of the cooptation of social movements under neoliberal patronage, weakening their political capacity (Weyland 2004b:148).

But the change in the composition and role of civil society in this period was not an automatic process dictated by the evolution of neoliberalism. There were significant continuities with the past, and new actors did not operate in a political vacuum. Traditional exporting elites were renovated under neoliberalism and new business elites emerged with linkages to international finance markets and investors (Weyland 2004b:144). This group had enormous influence over governments in the region in the 1990s, directly and indirectly through think-tanks financed by them. In some cases, military leaders were well-placed to benefit from privatisation and became part of the economic elite (Vilas 1996:477). Business elites were also prominent at local level, since municipal Chambers of Commerce and private contractors were key stakeholders in the design and delivery of programmes and projects, including social funds, at local and national level. The Catholic Church was traditionally an important conservative actor, but suffered from ideological divisions in the Cold War era. At national level the Catholic Church remained a relatively trusted institution
(Lagos 2001:144), although its influence tended to be reserved for periods of conflict. The Church was also an important actor in the delivery of social services at local level throughout the 1990s, often forming and supporting local development organisations. This was mirrored by the rise in evangelical Protestant missionaries, primarily from North America, that had an enormous impact on local development throughout Central America and in countries such as Chile, Brazil and Ecuador in South America. Politically, ‘old’ civil society actors continued to maintain a presence: peasants associations and other corporate actors had influence over governments and remained a presence in new public-policy making processes and negotiations. State employment was cut drastically under neoliberalism, but public sector trade unions retained significant power to extract wage concessions.

Furthermore, former trade union members and unemployed civil servants often remained active in civil society. Social movements, new development organisations and NGOs were often led by local level activists and absorbed a share of those made unemployed. This highlights that the energy of organised civil society had not been simply eradicated; and it suggests that the critical view is overly deterministic about the impact of neoliberalism. This also challenges the contrasting conceptions of ‘newness’ in the literature championing new social movements, and in the literature championing the participation of ‘new’ civil society actors in development. In general, the extent to which the growth in civil society organisation built on long traditions of vibrant associational life is underestimated. Neither did activism disappear with the decline of social movements: in the 1990s important new social movements continued to emerge based around identity and culture in countries with indigenous groups, and around natural resource issues under neoliberalism (Stahler-Sholk et al. 2007:5-6). At times, especially during moments of protest, these social movements defied clear categorisation because they often comprised organisations that
traditionally belonged to ‘old’ civil society, newer ‘neoliberal’ development organisations as well as clearly new forms of social movement and civil society organisations based on identity and reactions to neoliberalism. To explain this, more recent work on civil society under neoliberalism has focussed on how reform opened new spaces for participation at local level (Gray Molina 2003:360-1). This is interesting because it shows that there was potential for countering the national level trend towards political exclusion as a result of the dynamics of political party competition and weak representation. Overall, the growth of participation in formal spaces, and of popular mobilisation also offer evidence that the process of democratisation was more than cosmetic, since new institutions were created and popular forces remained robust (Panizza 2009:119).

The need for more nuanced understandings of the evolution of civil society became clearer in light of increasing protests against the neoliberal reform agenda and political elites in countries across the region by the late 1990s. These mobilisations confounded generalised explanations, especially with the election of a left-wing government in Brazil in 2002. The subsequent election of left-wing leaders in a number of other countries led to the declaration of a ‘pink tide’ of social change in the region. From a left-wing perspective, the ‘new left’ has been studied in terms of the extent to which these governments can deliver a genuine social transformation towards a different form of democracy and empowerment (Lievesley 2009:35), while others have highlighted the de-radicalising tendency of electoral power for left-wing leaders (Petras and Veltmeyer 2006:102). Liberal commentators cast the left-wing governments into two categories: moderate left-wing governments such as those in Brazil, Chile and Uruguay were classified as the ‘good’ left, while Venezuela under Chavez, along with Bolivia and Nicaragua were classified as ‘bad’ (Castañeda 2006). While the criteria in this classification ostensibly refer to issues of good governance, there is a high correlation with the categories and leaders’ stances vis-à-vis
neoliberal reform, the international financial institutions and the United States. These debates offer some insight into the unexpected nature of these political changes, and the continued divisions colouring the literature of the region.

However, there is a continued tendency to focus on the state and on the weaknesses of institutions, or on structural factors relating to neoliberalism to explain both social protest preceding the shift left, as well as the limits to the goals of social transformation of left-wing forces once in government. Too little attention is given to the complex ways in which civil society was shaped by and engaged with processes of democratisation and neoliberalism (Panizza 2005:729), and as a result there is insufficient focus on the origins and nature of the social forces behind the shift left. This obscures the significance and agency of popular forces that were unaligned to the neoliberal elite dominating the state in mobilising protest. Silva (2009:34) argues that periods of protest under neoliberalism revealed the relational power of the state and the dynamics of social mobilisation. When the cohesion of elites dominating the state and its institutions was challenged by other social forces over time, the limits of state capacity were unmasked. The relational power of the state was revealed in terms of how social forces could affect the capacity of the state to establish order, and its autonomy to enact unpopular policy changes. Turning to the dynamics of social mobilisation, the nature of the power wielded by collective actors in civil society in their contention of neoliberalism, draws attention to the capacity and political alliances of different civil society groups in this era (Silva 2009:46-53). This approach to understanding social mobilisation in Latin America under neoliberalism builds-in political contingency alongside the potential for change, moving beyond deterministic and normative tendencies of more liberal and radical approaches. Using this nuanced approach, the dynamic interaction of a range of civil society actors with the state, and the implications for civil society, can both be traced. For this study, this approach offers a means of
analysing the experience of civil society under the PRS in the case study countries.

In sum, structural accounts and state-based explanations offer only a partial focus on the nature and role of civil society in Latin American politics, pointing to the need for society-centred explanations. Recent approaches to social movements in the region offer an understanding of the constitution of social identities and the nature of civil society under democracy and neoliberal reform. However, there is a danger in dealing with social movements in isolation as an idealised civil society actor. To avoid this social mobilisation and civil society must be analysed in relation to existing social forces, and in relation to the state, as well as allowing for internal conflict. The mainstream and critical perspectives on democratisation offer insights into how the concept of civil society has been contested, mirroring the literature on civil society in development. More recent literature focussing on the ‘shift left’ in Latin America, examines the transformative potential of new social forces that assume state power by democratic means. The insights of these analyses must be situated alongside an analysis of contestation within civil society, and of the political evolution of civil society mobilisation against neoliberalism, in order to avoid obscuring political factors with an ideological debate. Together, these elements offer an approach to analysing civil society that complements state-based explanations.

3.5 Conclusions

This chapter has discussed in detail how the literature on politics and development in Latin America has evolved from a structural debate between modernisation and dependency theories to more nuanced political approaches. However, the broad divide in the structural debate continues to colour the literature and these positions are also reflected in the literature on international development as reviewed
in Chapter Two. The arguments of modernisation theory have dominated understandings of change in the region and have experienced renewed prominence in the era of neoliberal reform and democratisation. Critical analyses challenge the benign assumptions of modernisation by exposing the power and interests driving these liberal ideas and offer compelling narratives of how external forces shape and constrain development in the region. But on both sides of this structural debate there is a tendency towards determinism at international and national level, and political factors – in particular the role of the state – are obscured.

The literature on the state in the region highlights historic patterns of state weakness and persistent legacies of authoritarianism, clientelism and corruption marking different periods of political economy. Institutional perspectives offer an understanding of how elite cohesion and choices affect institutional capacity, and of how institutional legacies are reproduced. The state is placed in a historical context, and patterns of elite competition and their impact on institutions are examined. The literature on state strength complements this approach, offering a means of examining the contingency of state capacity, by assessing the autonomy and embeddedness of the state over time, and its performance with reference to developmental outcomes. The literature on democratisation in the region is dominated by procedural models which highlight issues around institutional consolidation and elite incentives for engaging in institutional reform and poverty reduction that are relevant for understanding elite choices and state capacity in the era of neoliberal reform. But for this study, critical perspectives offer greater insights, because the relationship between democracy and neoliberalism is problematised in terms of substantive issues of participation and socio-economic justice. This draws attention to the political impact of the role of the state under neoliberalism, and the implications for democracy. To complement this, neo-structuralist perspectives offer a means of assessing the state strength with
reference to performance in terms of socio-economic justice, which gives an insight into the prospects for a new role for the state in development and the implications for democracy.

Responding to the call in this study for a dynamic analysis of the state, bottom up-explanations are needed to assess the agency and power of social forces, and as a means of mapping the evolution of civil society and the prospects for democracy. The literature on social change in the region offers insights into broad trends that influenced the emergence of civil society and more democratic state-society relations prior to democratisation in the 1980s, but suffer from social determinism or a state-centric bias. More recent literature on the role of new social movements in the region gives insights into the constitution of new collective actors beyond structural factors. However, these insights need to be married with a political analysis of the context of social mobilisation and of the ways in which civil society is contested arena among different types of social actor. Analysing the interaction of different civil society actors with political elites and the state offers a dynamic approach to mapping out the extent to which neoliberal reform shaped and was contested by civil society. Together with the analysis of the state, and of democracy, this offers an approach for investigating what the PRS experience reveals about development and democracy in these case studies. The next chapter develops the analytical framework in greater detail and discusses methodological issues, before applying this framework to the experience in the case study countries.
Chapter Four:  
The Analytical Framework

4.1 Introduction  
This chapter revisits the research questions set out in the first chapter and synthesises the literature reviews in Chapter Two and Chapter Three to establish a multi-layered analytical framework for addressing this agenda of enquiry. An overview of the principal arguments from the literature reviews is given, highlighting the elements that will be used to guide the analysis. The next section outlines these elements and synthesises them into an analytical framework to guide the case study analysis. The following section uses this analytical framework to define the questions that will be used to structure the case study analysis and gives an overview of the structure of the remaining chapters. The next section builds on this and sets out how this analytical framework will be applied and the methods used for responding to the central questions.

4.2 Towards an analytical framework  
The research questions set out in the first chapter of this study aim to address an imbalance in the literature on the PRS experiences in Latin America. There is an extensive literature covering the top-down impact of the PRS approach on Bolivia, Honduras and Nicaragua, with emphasis on the role of donors. While underlying political factors are included in some approaches, and alluded to in even the most apolitical of analyses, political explanations have been underutilised to explain outcomes. These outcomes refer primarily to the impact on the role of the state in overseeing poverty reduction initiatives and the impact on the role of civil society participation in
public-policy making. The overall goals of the PRS approach were to secure lasting reductions in poverty and to reach the broader set of social indicator targets set out by the Millennium Development Goals. In the period covered by this study these goals are difficult to measure, not only because of the short-time frame, but also because it is difficult to separate the impact of the PRS process from other things that were going on in the case study countries. This complexity in evaluating the impact of the PRS has been acknowledged by early donor-driven evaluations (Booth 2005:3, Vos et al. 2003:20, World Bank and IMF 2005:3) as well as more recent reflections on the experience (Komives and Dijkstra 2011:186). It is precisely this complexity in separating causes and outcomes from the broader context that this study seeks to tackle. As a result, while there is some focus on changing patterns of aid, macroeconomic targets, and social and poverty indicators, this study gives greater attention to the impact of the processes on the state and civil society in each case, and the wider implications for understanding change.

Before examining the actual experience of the PRS, the first two research questions address the origins of the PRS approach in international public policy and the ways in which relatively disappointing outcomes from structural adjustment in developing country contexts influenced the emergence of the PRS approach as well setting the context for PRS implementation in practice. The remaining two questions address the extent to which issues in the theory of change behind the PRS approach, and related problems with the role of donors in implementing the PRS approach, influenced outcomes, as opposed to issues related to underlying political dynamics. These research questions are as follows:

◊ To what extent did neoliberal reform change the role of the state, the nature of civil society and state-society relations prior to 1999?

◊ What theoretical understanding of the link between democracy and development, of the nature and role of the
state in development and of the role of civil society and its relationship to the state informed the design and implementation of the PRS processes in Nicaragua, Honduras and Bolivia?

◊ To what extent is this theoretical understanding coherent, and what are the main areas of inconsistency? How and to what extent did these theoretical understandings affect outcomes in these three cases?

◊ In light of these findings, what can these experiences reveal about the role of the state, and civil society, in democracy and development?

To answer these questions two literature reviews were carried out to identify how to develop a multi-layered analytical approach. This approach aims to incorporate the international level, namely influence of the international frameworks for debt and aid, embodied in HIPC II and the PRS approach; but to give primary focus within this to the impact of this approach on the state, and on civil society, and their interaction.

The literature review on the PRS approach in Chapter Two highlights major insights from the existing literature that go some way towards offering an insight into the emergence of the PRS, and the implicit theory of change underpinning the role of the state and of civil society. Critical approaches to international political economy provide a means of interrogating the liberal ideas behind the PRS approach, and offer a convincing account of the PRS approach as a subset of the neoliberal reform agenda. Proponents of alternative approaches to development had influenced the evolution of the PRS approach, and cautiously welcomed the centrality given to participation and poverty reduction. However, critical assessments, set out in section 2.4, underline that the implicit focus remained on an agenda of ‘good governance’ for the state, and provide evidence for strong continuities in the evolving neoliberal agenda (Craig and Porter 2003, Cammack 2004). For this study, this critical analysis
offers a means of placing the PRS approach in a historical context of international influences on the case study countries. The PRS can be viewed as one of the most recent incarnations of external influence, and also as part of a cumulative agenda of neoliberal reform dating from the introduction of structural adjustment programmes in the 1980s and 1990s (Sumner 2006:1405). More radical perspectives emphasise the disappointing outcomes of neoliberal development, the enduring inequality in international and national frameworks for development, and how alternative concepts of development have been co-opted and consolidated into a more powerful orthodox hegemony. Using the insights from these different perspectives permits an analysis of the impact of neoliberal reform not simply in terms of the original goals of accelerating growth and achieving debt sustainability, but also from the perspective of socio-economic indicators, especially poverty reduction.

Furthermore, the tension between the benign presentation of the PRS by the World Bank and critical appraisals sheds light on the contested theoretical understandings of democracy and development, and of the respective roles of the state and of civil society, that influenced the design of the PRS approach. Critical analyses also reveal the deficiencies in the coherence and consistency of the PRS approach, and the impact of this in practice. The nebulous understanding of the role and nature of the state in the good governance approach, and the ambitious and ambiguous role assigned to civil society participation in delivering ‘ownership’ clearly shaped outcomes. These analyses highlight that while the state had a new role in coordinating strategies, capacity remained weak, and donors undermined ownership by over-influencing the content of the strategies and by crowding out national actors in the process. The PRS approach had presented opportunities for a greater role for activist civil society, but in practice participation was displaced by donor influence (Stewart and Wang 2003:23). In the end there is evidence that civil society participants were co-opted into neoliberal processes, damaging their
credibility, and that formal democratic processes were undermined (Brown 2004:244, Eberlei 2007). The PRS approach was interpreted differently by the actors involved from the donor community, state institutions, and civil society, and expectations varied as a result, with political effects. Moreover, there was considerable divergence among these actors vis-à-vis the appropriate activities and the ultimate goals of the process, contributing to incoherence and inconsistency in the implementation of the PRS approach.

These generalisations about the PRS experience establish a clear set of issues to examine in the case study countries, especially in terms of donor involvement with the state and with civil society. However, the existing range of evaluations do not offer a completely satisfactory account for the outcomes of the PRS approach in developing countries, because too little attention is given to national and political dynamics. Technical and reformist perspectives are too concerned with refining donor practices, while radical perspectives present an overly deterministic account of how neoliberal hegemony was translated to developing countries through HIPC and the PRS approach. As a result, little is revealed about the state and civil society within particular cases, or more general issues around their roles in development and democracy, which are of central concern for this study. In the existing literature examining the outcomes and legacy of the PRS in these countries, considerable attention is given to the state and to civil society, but primarily to those parts of the state and of civil society that were involved in the process. Moreover, as a donor-driven literature, the overriding interest is in how to achieve poverty reduction goals through refinement of donor activities, or to expose the contradictions and limitations of the prevailing aid paradigm, even in critical and detailed country studies such as those by Molenaers and Renard (2005) on Bolivia, by Seppänen (2003) on Honduras, or by Ruckert (2007) on Nicaragua. The conclusions about the role of the state, and of civil society, in democracy and development remain ad hoc, and little is gleaned
about the broader nature of political change in these countries. To deal with the theoretical weakness of the PRS approach to account for political factors, and to examine what the experience of the PRS reveals about the state and society, an approach that captures the interaction of the PRS approach with national political dynamics is needed.

The literature review on Latin American development and politics set out in Chapter Three attempts to overcome these shortcomings, by drawing on political explanations and approaches to the state and society that are rooted in the experience of the region (Kay 1989:12). Section 3.2 set outs the structural explanations prominent in the literature, which echo the debates between liberal and critical approaches to the international political economy of aid and debt. The influence and renaissance of liberal modernisation approaches to the region sets the context of the PRS experience at the end of a period dominated by democratisation and the introduction of neoliberal reforms. Dependency perspectives are relevant because they challenge the benign assumptions of liberal accounts, and force attention to how external influences shape and constrain development in the region (Eduardo Silva 2004:146-7). These insights of the dependency school about Latin American development have informed critical and radical approaches to international political economy. However, as structural accounts, all of these perspectives are overly deterministic in their explanations of how external influences are transmitted and reproduced, and fail to account for diverging outcomes. Little is revealed about the nature of the state and society beyond broad generalisations, and political factors are obscured. To overcome this, a critical IPE approach which permits the incorporation of external influences on the state in the region while overcoming structural determinism, is more useful for guiding the top-down level of analysis of the Latin American case studies in this study.
At the end of section 3.2, state-level explanations that focus on how elites respond to changing international circumstances are identified as offering a means of converting this top-down analysis into a dynamic approach, by demonstrating the influence of external factors as well as the contingency of their impact. Institutional approaches can contribute to building this contextualisation by highlighting how institutional legacies can be perpetuated across ostensibly different eras. Moreover, these approaches focus on how elite responses to the opportunities and challenges of a particular set of circumstances can generate positive, as well as negative, path dependencies. Yet the state is viewed as more than the representation of elite interests: there is space to consider how political pressures can bring about institutional change. Together, these analytical elements allow the state in the case study countries to be situated in both an international and a historical context, with political explanations for differences in initial conditions and trajectories. This contextualisation of the state also allows the identification of existing institutional legacies, which are relevant for understanding the immediate context for the implementation of the PRS approach. Within the general insights offered by structural accounts of aid and development in the region, these approaches to the state offer a nuanced approach to uncovering the detailed trajectory and political dynamics of neoliberal reform and democratisation in the three case study countries prior to the introduction of the PRS approach in 1999.

Building on the contextualisation and characterisation of the state, the literature on state strength, detailed in section 3.3 offers a dynamic approach to assessing the capacity of the state to deliver economic outcomes, within a given set of external influences (Evans and Rueschemeyer 1986:68). The concepts of autonomy and embeddedness can be used to assess strength and give an insight into the political viability of institutional arrangements (Evans 1995:16-7). For analysing these case studies, a characterisation of the nature of
the state in 1999 in these terms can establish a benchmark against which to assess changes under the PRS experience. First, the extent to which the PRS process strengthened the autonomy of the state to develop and deliver poverty reduction policies can be examined. Second, the extent to which the PRS processes enhanced the embeddedness of the state, in terms of generating and sustaining a coalition of support to implement this agenda, and balancing it against opposing groups, can be considered (Panizza 2009:118).

Studies of the internalisation of external actors also offers a means of identifying the mechanisms by which donors influenced and penetrated the state, and whether the PRS process represented a departure in donor behaviour in this regard. This approach also provides a starting point for a dynamic analysis of the state within society in a globalised context, by including the impact of social forces on state institutions, and the influence of external actors on both (Jessop 2001). This is particularly relevant for the PRS approach given the role ascribed to the state for facilitating civil society participation, as a means of achieving poverty reduction. The relative political importance of civil society participation in the PRS process on the state and its role in poverty reduction can be explored. This analysis also allows the identification of mechanisms of donor influence and of their impact on the state either as a result of direct involvement in state institutions or through any of a range of civil society actors.

The literature on democratisation and neoliberal reform, outlined in section 3.3 directly informs the context for assessing state strength in this study. Procedural approaches to democracy offer a range of criteria by which to assess the nature of state institutions after neoliberal reform and the political obstacles to change (Linz and Stepan 1996:14). Issues relating to the rule of law, the dynamics of political party competition and the nature of the civil service are particularly relevant for identifying the politics of neoliberal reform in each case. But these accounts are limited, because they reflect the
‘good governance’ agenda, in which the conception of the role for the state in the economy is vague and the primary outcomes of concern relate to economic growth and competitiveness. Substantive approaches to democracy in the region go beyond procedural criteria, assessing the impact of the role of the state in the economy and neoliberal reform in broader terms related to inequality, poverty and socio-economic indicators (Garretón 2003:50, Crabtree and Whitehead 2001a). These approaches are useful because they offer a means of assessing the dynamic interaction of the outcomes of neoliberal reform with the nature and viability of institutional arrangements after democratisation in these cases. Moreover, the role of the state vis-à-vis social policy is of central concern, offering a way to explicitly assess the content and modalities of the poverty reduction agenda produced by the PRS process and more generally, the politics of poverty reduction, in each case. These concerns are echoed by the neo-structuralist literature which develops a set of criteria for assessing state strength that incorporates both procedural and substantive concerns (Kirby 2009:134-6, UNDP 2004:48). This offers a means of analysing the impact of the PRS on the state, and an initial understanding of how the PRS process interacted with political dynamics.

The literature on democratisation also underlines the need for society-based perspectives for analysing the PRS experience. The substantive approach to democracy in the region conceptualises civil society as the site of contention, and as an outcome of democratisation, rather than simply a by-product of, or a means of achieving, good governance of a state. As set out in section 3.4, this approach is informed by the literature on social movements in Latin America, which demonstrated how civil society forces are constituted with identities and goals beyond materialistic concerns (Escobar and Alvarez 1992). This offers a means of understanding the evolution of social forces in the context of democratisation, conceiving of a civil society comprised of actors that are not simply shaped by changing
structural factors and the state. At the same time, the limitations of the social movements literature highlight that civil society needs to be placed in a historical and political context in order to avoid obscuring the analysis with normative concerns (Foweraker 1995:88). This contextualised approach to civil society provides a way of completing the dynamic approach required for this study. First, the ways in which civil society was shaped directly and indirectly by neoliberalism can be determined to set out a characterisation of these actors in 1999. Second, the interaction of different civil society actors with the state can be assessed to ascertain the ways in which civil society actors supported and contested neoliberalism in this period. The impact of the PRS approach on civil society can then be appraised across a number of dimensions. The impact of external actors on the role and capacity of civil society to engage with the state, and political parties, can be assessed in the context of the PRS process. The relative impact of these influences on different civil society actors, and what the dynamics of participation reveal about the interrelations within civil society and its collective capacity to influence the state can also be evaluated. Combining these insights, the overall impact of the PRS approach on civil society, state-society relations and democratisation can be ascertained, and deeper issues relating to the nature, role and capacity of civil society in development can be revealed. This bottom-up approach to the PRS experience in the three cases completes the dynamic, multi-layered analytical approach.

4.3 The structure of the case study analysis

The remaining chapters of this study apply this multi-layered analysis to establish the context in which the PRS was introduced, to evaluate the experience of the PRS approach and its impact on the state and on society, and to identify what these experiences reveal
about political change, development and democracy in these three cases.

Chapter Five deals with the historical context of the three case study countries and establishes the political context in which the PRS was implemented from 1999. Broad structural accounts on aid and the regional political economy are used to identify the impact of external influences on development in the three cases. Attention is paid throughout the analysis to the evolving role of the United States and the international economic order in shaping and constraining the opportunities for development. Historical features of the state, elite politics and social forces are set out, with particular attention to the legacies of authoritarianism, developmentalism and revolutionary social movements in the region. With the introduction of neoliberal reform, the changing role and influence of official donors and international civil society networks is mapped out, alongside the role of trade agreements and international business interests. Within these broad trends, the chapter goes on to explore the impact of neoliberalism on the state, and assesses the extent to which the nature, role and capacity of the state was transformed according to the neoliberal logic in each case by 1999. The principal political dynamics affecting neoliberal reform of the state are identified with reference to political parties and their relationships with key groups including business elites, public sector trades unions, and peasants’ associations. This is complemented by a characterisation of civil society and its evolution under democratisation and neoliberal reform that offers a political analysis of the capacity, influence and relevance of different groups by 1999. This includes an appraisal of ‘old’ versus ‘new’ civil society actors and their relation to political parties and the state in this period to assess the impact of neoliberal reform on civil society, as well to identify why and how civil society contested neoliberalism.
Chapter Six uses state-centred explanations to explore the PRS experience in the case study countries from 1999 to 2006. It begins with an overview of the details of the state role in the PRS process, the initial outcomes from the process and the trajectory of the initiative until its ‘death’ in all three cases. The influence of donors on the role and capacity of the state is assessed, and the overall impact of donors is evaluated in these cases. From this, the strengths and limits of donor-centred explanations for outcomes in these three cases are examined. Turning to political explanations, the nature of state engagement with the PRS process is analysed in each case, with reference to the autonomy of the state, and its capacity to design participatory policy-making processes, to gather poverty data and create policies and to implement the strategies. Political obstacles to ownership are examined with reference to the dynamics of political party competition and the impact on policy-making. To complement this, the embeddedness of the state, in terms of the ways in which different civil society actors engaged with political parties and the state are examined in order to identify what other policy-making processes were also in place. In light of these analyses, the overall impact of the PRS experience on the role and capacity of the state to develop and deliver poverty reduction strategies is evaluated. The three cases are compared to draw conclusions about the relative weight of donor influence in determining outcomes, and what this reveals about the implicit theory of change underpinning the PRS approach. Finally, conclusions are drawn about what the experience reveals about the role and capacity of the state in poverty reduction, and the prospects for state reform and development.

Chapter Seven focuses on civil society participation in the implementation of the PRS approach and uses bottom-up explanations to ascertain the impact of the PRS approach on civil society, and to assess the ways and the extent to which the PRS approach was contested. It begins with an overview of civil society participation in the PRS processes, and with an examination of the
ways in which civil society organisations attempted to influence and to contest the PRS approach in each case. The influence of donors and of international civil society organisations on civil society participation in each case is outlined and the explanatory power of donor-centred assessments is evaluated. Turning to political, society-based explanations, the representation of civil society in the participatory process is evaluated, with reference to the broader nature of civil society in each case. Limits to the influence of civil society participation on the PRS, and on opening up greater space for influence on policy-making processes in general, are assessed in reference to the political dynamics of established formal and informal patterns of state-society interaction, and to contestation within civil society. In light of these analyses, the overall impact of the PRS experience on the role and capacity of civil society vis-à-vis the state, and in democracy is evaluated. The three cases are compared to draw conclusions about the extent to which donor influence determined outcomes for civil society and what this reveals about the limits of the principles of ownership and participation underpinning the PRS approach. Finally, conclusions are drawn about what the experience reveals about civil society and state-society relations, and the prospects for democratisation.

4.4 Methodology and sources

The methodological approach for developing the case studies draws primarily on literature review, complemented by interviews of key informants and comparative analysis. Two broad literature reviews informed the development of the analytical framework summarised above. Some of this literature is also used to develop the case studies and to apply the analytical framework.

Chapter Five uses further literature reviews to deal with the historical and immediate context for the introduction of the PRS approach.
Guided by the analytical framework, the context is drawn up with reference to political histories of the region, and of the case study countries along with comparative studies of the experience of democracy since 1980. Early literature on aid and structural adjustment also informs the analysis of the evolution of the state and of civil society under neoliberal reform. Official reports of the World Bank and the IMF, and associated experts, and historical data from databases of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) are used to set out the scale of aid and its impact. Procedural accounts of democratisation in these countries inform the analysis of the period according to the mainstream literature. This is contrasted with the critical accounts from the alternative literature on democracy in the region to gain insights. The economic outcomes of the era of democratisation and neoliberal reform are set out using recent historical data from ECLA reports, which draw on national accounts and statistical systems. This chapter explicitly recognises and draws out features pertaining to the different political histories of these three countries. At the same time, the analysis also seeks to assess the nature and extent of the problems common to all three cases, which were identified by the aid literature as initial conditions, or issues to be overcome by the PRS approach.

Chapters Six and Seven dealing with the state and civil society review and synthesise the conclusions of the extensive number of donor-sponsored or donor-centred assessments of the process in these countries in the aid literature, including arguments from more radical critiques. The conclusions of these studies vis-à-vis the different paths and outcomes in the three cases with respect to the state and civil society are assessed in separate chapters to detect the extent to which political factors are explained. In each chapter, the fuller characterisation of the political context surrounding the implementation of the PRS process with respect to the state and civil society is drawn up with reference to the insights from the more
nuanced of the donor assessments, including retrospective assessments, and political literature on the period. Insights are also drawn from interviews carried out with key informants in each country in 2009. These political contexts are compared to assess the extent to which political factors were decisive in determining outcomes in each case, and whether generalisations can be drawn as a result about the PRS approach. Finally, the revelations from the PRS experience about the nature and role of the state, and of civil society, and the prospects for democracy and development in each case are compared to identify overall conclusions.

4.5 Summary

In sum, the multilayered analytical approach adopted in this study draws on insights from the literature on aid, development and international public policy and from the literature on politics and development in Latin America. A dynamic analytical approach, drawing on critical international political economy perspectives, allows for an analysis of the influence of external forces, but places this in a historical perspective and incorporates contingency into the process. This opens the way for identifying the mechanisms by which influence is transmitted, reproduced and resisted at national level. State-centred explanations offer a means of capturing the historical impact of external influences, and elite responses to these by analysing continuity and change in institutional legacies. Analyses of state strength place the state in a broader societal context over time, providing a means of assessing the capacity of the state to deliver outcomes, and the implications of these dynamics. The literature on the nature of democracy in the region informs the analysis of state strength in this study and offers an insight into assessing the outcomes of neoliberal reform. This literature also highlights the need for society-based explanations to situate the capacity of the state in a strategic-relational context. The literature on civil society in the
region offers a means of understanding the evolving nature of social forces and emergent civil society, but this must be complemented by a political analysis of civil society itself, and its political engagement with the state.

This analytical framework is used over the next three chapters to analyse the PRS process in the case study countries. Chapter Five establishes the political and historical context in which the PRS was introduced and offers a characterisation of the state and of civil society at this juncture. Chapters Six and Seven deal with the PRS experience in the three case study countries focussing on the state and civil society in turn. The explanations of the donor-centred literature are assessed in relation to ongoing political dynamics, and insights are gained about what the experience reveals about the state and civil society in these cases. These insights are compared and conclusions are drawn about the theory of change underpinning the PRS approach, and the nature of political change in these cases. Chapter Eight summarises the argument and concludes the study.
Chapter Five:
State and Society Before 1999

5.1 Introduction

This chapter offers an overview of the case study countries prior to the introduction of the PRS approach in 1999. It deals with the evolution of state and society in each case since independence, but focuses particularly on addressing the question of how neoliberal reform and aid affected the state, civil society and state-society relations before the experience of PRS processes. The next section begins by setting out the historical context and evolution of the state and its institutions, and civil society and state-society relations under the changing political economy of the region until the end of the Cold War in 1990. The role and capacity of the state in development is a central theme, along with an assessment of the importance of society-based explanations for democratisation over time. There is an emphasis on drawing out elements of continuity and change that have influenced politics in the pre- and post-democratic eras, and nature of the transition to democracy in each case is discussed.

These themes are developed in detail in following section for the period of democratisation and neoliberal reform. The changing nature of the state under neoliberalism in each case study country is set out, with emphasis on state capacity, state-society relations and the dynamics of electoral and political party competition. From this, an assessment of democracy from a procedural perspective in each case is offered, complemented with substantive criteria relating to expectations and the performance of democracy in socio-economic terms. This is related to a detailed characterisation of the nature and evolution of civil society actors in each country in the context of neoliberal reform, and includes an analysis of the mediation of state-
society relations by political parties and diverse civil society actors. The penultimate section revisits the same period in the case study countries, but focuses on examining the importance of aid and determining the relative influence of donors on policy, the role of the state and the nature of civil society by 1999. This establishes the prevailing politics of neoliberal reform between external actors involved in aid, the state and civil society on the eve of the PRS process. The final section summarises the arguments and offers some conclusions.

5.2 From independence to democracy

From independence through to the onset of the regional debt crisis, the international political economy offered a mixed set of opportunities and constraints to development in Bolivia, Honduras and Nicaragua. These three countries have ranked among the smallest, most backward, and least developed countries of Latin America since independence. The initial conditions were far from favourable since each country emerged from the fragmentation of colonial boundaries when the region became independent from Spain from the 1820s (de la Pedraja 2005:63). Moreover, they share difficult geographies: Bolivia straddles the high plains of the Andes, steep valleys and lowland areas in the Amazon basin; in the isthmus of Central America, Honduras and Nicaragua are extremely mountainous with dense jungles and difficult waterways. Taking these factors into account, this section sets out the evolution of the state and of civil society in each case under changing international conditions until the end of the Cold War in 1990.

Bolivia emerged from a colonial province comprising most of modern-day Bolivia, Peru and northern Chile. The silver mines of Potosí had been the driving force of the colonial economy, but this industry fell into relative decline after independence. Politics
remained unstable with a situation of near-anarchy as power shifted between different caudillo rulers until the end of the century. Indigenous groups, accounting for the majority of the population were excluded from political participation and subject to repression (Bonilla 1985:564). The five Central American republics that emerged from the failed project of the Federal Republic of Central America had not been a source of great wealth in the mercantilist colonial economy. While this made separation from Spain and Mexico easier, it undermined the Liberal federal project and conservative forces under regional caudillos came to power in each country, leaving colonial structures virtually intact (Robinson 2003:64, Skidmore and Smith 2005:359-360). In all cases the colonial legacy was a peculiar system of agrarian feudalism and a hierarchical social order that replicated Spanish institutions of church, military and government (Hillman 2005:6). There was considerable confusion between private and public property as the state was seen as the basis for clientelist relations by both Conservative and Liberal elites. These oligarchic regimes were underpinned by authoritarianism and violent repression of rural peasants and indigenous groups. Recurring regionalised political struggles for control led by caudillos from remote regions sustained the fragmentation of elites and hindered the gradual emergence of centralised states well beyond 1850 (Bakewell 1997:385, Torres-Rivas 1990:162).

The economies of these former colonial provinces were centred on the production of primary commodities for export, especially precious metals, raw materials and agricultural produce. From the 1870s increasing international demand and high prices brought an unprecedented boom to the region, with exports increasing ten-fold between 1850 and 1912 (Bakewell 1997:409, Wiarda 1998:37). In Bolivia the silver mines were revitalised for a time, and by 1900 the technology was being used to expand the production of tin (Klein 1985:562). Honduras expanded the production of bananas and Nicaragua benefitted from high coffee prices. The export economy
was the motor of growth, and drove the establishment of new state institutions such as banks and customs authorities for the management of growing investment and trade. The spatial expansion of infrastructure to transport goods to seaports, often developed through foreign concessions, also responded more readily to these demands than to principles of national integration and modernisation (Bonilla 1985:576). For example, in Bolivia, an extensive railway system was constructed to bring minerals from the highland mines to coastal ports in neighbouring countries, but no road was built between the highland and lowland areas. Similarly, in Honduras, railways were constructed across the Caribbean coast to connect the banana plantations to seaports, but no investment was made to improve the land route southwards to the capital, Tegucigalpa (D'Ans 1998:143). The reliance on export growth left these economies highly sensitive to fluctuations in the international prices of tin, coffee and bananas.

During the boom the economic and political independence of Latin American countries was circumscribed by the extensive involvement of external actors. The hegemonic role of Britain in the international economic order throughout the nineteenth century was felt in Latin America primarily as a result of the control of shipping routes for trade and direct rule of territories in the Caribbean (Bakewell 1997:407, Munck 2003:25). By the late nineteenth century the United States was intensely involved with military forces in Central America, as part of efforts to secure a channel between the Atlantic and Pacific oceans. This culminated in the completion of the Panama Canal in 1914, which secured hegemony in trade for the United States in the region. Further intervention by the United States in the region was primarily motivated by the protection of business interests and financial stability. Nicaragua was essentially a United States protectorate until the 1930s, with more or less persistent occupation by United States Marines from 1912. This was facilitated by almost exclusive reliance on the United States for financial and capital
resources for government operations, serving as a serious limit on sovereignty (Bulmer-Thomas 1990b:317). The United States also intervened in the civil war in Honduras in the 1920s to protect the interests of the fruit companies (Skidmore and Smith 2005:380). In the absence of a sizeable coffee planter elite, Honduras became the original example of a banana republic: an enclave economy that did not penetrate beyond the North coast region which served to preserve geographical and political fragmentation rather than to overcome it (Bulmer-Thomas 1990a:317). In contrast, in Bolivia, while the tin industry was dominated by national investors, with the involvement of European interests in the highland mines and infrastructure, there was no direct intervention by the United States, even though the pronounced vulnerability of the economy to changes in international prices brought recurring political instability.

The concentration of economic benefits in a few export products, and the volatility of international prices also greatly influenced patterns of political competition and social development at national level. Oligarchic elites formed around landholdings and export industries and served as the link between capitalist elites in the core and in the periphery economies. Politics was dominated by struggles among these elites to control international linkages and the benefits of the export economy. The benefits of the boom accrued disproportionately to elites of all sorts, but in particular to Liberal modernising elites who overshadowed traditional Conservative elites in this period. Meanwhile, indigenous groups and landless peasants were suppressed and subjected to harsh labour conditions (O’Toole 2007:29-30), perpetuating the inequality of the colonial era. This created economic dualism with segments of the modernised export sectors with international linkages, while the bulk of the population continued to survive on subsistence agriculture. At the same time, economic growth brought social change across Latin America. Urbanisation, immigration and the growth in cities increased both middle and working classes, fomenting the formation of professional
and intellectual associations and the formation of trades unions, which lobbied for political and social reforms (O'Toole 2007:32). Social mobilisation and political pressure for reform strained the Liberal consensus before 1929, leading in some cases to tentative progress towards democratisation with the introduction of limited labour laws and social welfare measures. In rural areas there was increasing agitation for land reform, but progress was generally limited by the power of landed elites. In Central America and Bolivia urbanisation and the emergence of a working class were delayed, since growth was concentrated in mining and export agriculture, usually removed from urban centres (Skidmore and Smith 2005:366), but demands for agrarian reform became more pressing.

The limited and segmented nature of modernisation in the Liberal era in these countries, and the dramatic reversal of fortunes after the 1929 crisis, lends itself to a dependency narrative. Yet the relative backwardness of these countries in the region also raises issues about the failure to effectively manage modernisation and about the choices of elites in this period. As highlighted in Chapter 3, comparative studies of the institutional legacies of elite choices during the Liberal boom on the foundations of the modern state system in Central America, offers evidence that vulnerability to international price fluctuations and the interference of the United States are not sufficient to explain outcomes (Lindenberg 1990:418-9, Mahoney 2001:33-35). While Costa Rica followed a unique path towards social democracy in the absence of profoundly polarised class structures, in Guatemala and El Salvador the Liberal boom had prompted elites to engage in reforms of the state and to modernise the economy. This was not a linear move towards broad political representation and social democracy: reforms resulted in the creation of a militarised state apparatus which was used to suppress revolts by peasants and workers in deeply polarised agrarian societies. But the state was strong enough to impose order in the context of social discontent after the international economic crisis in 1929, and to give relatively
effective policy responses, resulting in rapid recovery. As a result, this type of radical liberalism permitted a degree of economic modernisation alongside political authoritarianism (Mahoney 2001:33-35).

In contrast, Honduras and Nicaragua were categorised as cases of ‘aborted liberalism’, where the failure of elites to overcome internal struggles and to set the foundations for effective institutions, facilitated political instability, economic backwardness and external interference long before 1929. The policy response to the crisis was weak, recovery was slow and these economies remained backward in the region (Mahoney 2001:192). The absence of an entrenched oligarchy in Honduras facilitated penetration of the fruit companies and the influence of the United States (D’Ans 1998:144-8). After the 1929 crisis, there was a reversion to traditional authoritarianism based on repression, clientelism and patronage politics in order to establish order. A weak policy response to the crisis meant that the banana sector took until the 1940s to recover (Bulmer-Thomas 1990a:293). Social unrest led to the installation of a traditional authoritarian regime under the dictator Tuburcio Carías Andino that lasted over ten years. This established a role for the military in politics that would last until the 1980s (Torres-Rivas 2007:50). In Nicaragua, a peasant uprising led by army commander Augusto Cesar Sandino in protest at Liberal elite collusion with United States in national politics failed (Bulmer-Thomas 1990b:324). Anastasio Somoza, leader of the National Guard, later ambushed and assassinated Sandino during peace talks in 1936. By the late 1940s, Somoza had consolidated dictatorial rule by dividing opponents among the Conservative and Liberal elites, and by cultivating support from the United States (Bulmer-Thomas 1990b:334).

Parallels with these experiences can be found in the Bolivian case, where divisions among elites influenced outcomes and responses to local and international crises before 1929. The tin boom in Bolivia
was marked by persistent political squabbling among the small and divided elites (Whitehead 1985:509). This indirectly led to a series of wars with neighbouring countries that had disastrous results, including a strategic loss of a coastal province to Chile, making Bolivia a land-locked country, dependent on good relations with its neighbours to export goods on international markets (Bonilla 1985:588). In part due to the impact of the 1929 international economic crisis, the collapse of the Liberal consensus further intensified political conflict and contributed to the escalation of external crises. A scramble for oil resources in the largely unpopulated inhospitable province known as the Chaco led to tensions with neighbouring Paraguay, culminating in a disastrous war between 1932 and 1935 (Klein 1985:574). By the end of the 1937 over 100,000 Bolivians had been killed and a large territory was ceded to Paraguay, and the following decade was marked by a series of political upheavals among traditional elites (Dunkerley 1984:23-5). Until the 1980s in these three countries, the weak capacity of states to respond to economic challenges, and the inability of elites to forge consensus and incorporate new social forces were persistent themes. However, understanding the institutional legacies from the pre-1929 era is not sufficient to account for new political dynamics and the scale of changes that occurred from 1929 to 1979, and demand a more nuanced explanation incorporating changing international factors and bottom-up pressures from society.

In Bolivia, the coherence of the traditional oligarchic political system was shattered by the effects first of the 1929 crisis, and then of the Chaco war across society. The weakness of the Liberal oligarchic state was exposed by the disaster of the conflict and more immediately by the inability of a poorly equipped army to respond to a series of uprisings in 1952, leading to a fundamental juncture in national politics in which traditional political elites were overthrown. The leaders of a diverse coalition of new social forces including rural organisations, urban middle classes and trades unions combined to
bring about the 1952 revolution (Klein 1985:585-6, Whitehead 1985:535). The revolutionary leaders of the Movimiento Nacionalista Revolucionario (MNR) formed a government, which responded to social pressures by introducing far-reaching reforms. These included the introduction of universal suffrage for indigenous groups and land and education reform. A central role for the state in the economy was established with the nationalisation of the mines. Some small efforts were made to modernise other sectors of the economy through industrial diversification and there were limited attempts at agrarian reform through colonisation schemes. The state bureaucracy was modernised and expanded to carry out its new economic and social roles, following the ISI model dominant in this period. These developments clearly reflect the importance of bottom-up explanations for explaining change.

But revolutionary change was mediated by political contestation and the institutional legacy of a weak state continued to resonate. After the first eighteen months the momentum of reform faltered, and the reforms fell far short of a wholehearted effort to move towards a developmental state (Dunkerley 1984:73). There was continued reliance on the traditional export economy, while there was limited investment in modernising the nationalised mining industry (Grindle 2003:14). The new state apparatus struggled to fulfil its new role and traditional clientelist practices infiltrated the new regime (Gray Molina 2003:349). Rather than incorporating interests in a virtuous developmental matrix, the use of the state as a source of patronage, alongside inefficiency and inconsistency in the implementation of ISI strategies, undermined economic performance and strained the coherence of the forces supporting the revolutionary government. Agrarian reform upset the interests of traditional elites, while internal contradictions in the design and implementation of reforms contributed to a growing economic crisis. By 1956 the government was forced to turn to the United States and the IMF for economic assistance to deal with a stabilisation crisis, ending the radical phase
of reform (Grindle 2003:5). The combination of these economic difficulties, internal politics and corruption and pressure from external forces lead to the collapse of the regime in 1964 and brought military involvement in politics until the 1980s (Dunkerley 1984:129, Whitehead 1985:554). Military governments shifted away from economic nationalism, privatising some state industries, but continued to rely on the revolutionary state apparatus to rule and expanded patronage and clientelism, further undermining the autonomy of the state (Domingo 2003:373).

Elites in Honduras demonstrated sufficient flexibility under authoritarian rule to incorporate emerging social forces and avoid revolutionary social change. This was partly due to the weakly entrenched nature of the Honduran oligarchy, which left room for domination by foreign interests and new elites, such as the Palestinian Christian merchants who were prominent from the 1940s and from the 1960s, by the military (Rosenberg 1988:144). After a slow recovery from the 1929 crisis, unionised banana workers in Honduras staged a significant strike in 1954 and important concessions were made to the strikers. The Liberal government introduced universal suffrage, labour rights legislation and basic social service provisions, but reformism was truncated through the co-optation of social forces and the persistent intervention of the military in politics (Torres-Rivas 2007:66-7). Successful accommodation of pressures for reform meant there was relatively less repression of opposition groups in Honduras than in other countries in the region. These dynamics left Honduras backward in the region: minimal effort was made by elites to modernise the economy, the state or to take advantage of new opportunities from the Central American Common Market formed in the 1960s (Bulmer-Thomas 1990a:297). Ultimately it was the military that drove a reformist and developmentalist agenda from the 1950s to the 1970s, overseeing agrarian reform and social service provision (D'Ans 1998:235, Robinson 2003:120). However, these measures are best
understood as measures to maintain social control and patronage within an essentially traditional system, alongside the semi-modernisation of some sectors of the economy (Mahoney 2001:256). The state apparatus was partially modernised and expanded, but remained controlled by elites and rife with clientelism and patronage (Boussard 2003:142). Close military, political and economic relationships with the United States intensified in the context of the Cold War and reinforced the comfortable position of elites.

Greater efforts were made under the Somoza dynasty from the 1950s in Nicaragua to take advantage of the opportunities of the ‘Golden Era’ of growth and regional integration in Central America. Economic diversification towards the production of beef, cotton and sugar, as well as tentative efforts to develop manufacturing industries created new elites and expanded the middle classes (Bulmer-Thomas 1990b:342). But economic modernisation was limited and took place within rigid political arrangements controlled by the successive Somoza leaders, and there was no agrarian reform (Dye and Close 2004:121, Torres-Rivas 2007:91). Domestic support for the regime was sustained internally through coercion and a careful division of the spoils of power among business groups, underpinned by a series of pacts and external support from the United States was a deterrent for opponents of the regime. State institutions developed under this highly personalist regime, but had little autonomy in a system premeditated to confuse public and private property with purchased loyalties (Mahoney 2001:255, Torres-Rivas 2007:68). In 1967, a new political pact with business groups, landowners and the middle classes was negotiated by Anastasio Somoza (son), but the bases of this arrangement became increasingly unstable by the early 1970s. The polarisation of society and the crisis of authoritarian rule culminated in a revolution led by the Frente Sandinista de Liberación Nacional (FSLN) which overthrew the Somoza regime in 1979. Prior to the revolution, President Carter of the United States withdrew support for Somoza, and went on to recognise the Sandinista regime
(Bulmer-Thomas 1990b:352). Once in power, the Sandinistas ousted elites loyal to Somoza and attempted to create a new type of state and development strategy that would break with the past.

Clearly, the shifting position of the United States towards the region, along with bilateral relations with each of the countries over time influenced the end of the revolutionary regime in Bolivia, the timing of the revolution in Nicaragua, and contributed to the pre-emption of revolution in Honduras. The involvement of the United States in Central America continued with support for authoritarian regimes in Honduras and Nicaragua. In contrast, United States involvement in Bolivia only intensified from the 1960s onwards, when the strategic importance of the whole Latin American region grew as the Cold War intensified after the Cuban revolution in 1959 (O'Toole 2007:54). The Cold War also precipitated the increasing militarisation of the involvement in Central America from the 1970s. But this examination of elite dynamics and the nature of the state highlight that the momentum of progress was also curbed by internal contradictions and political instability. Fragile political institutions were incapable of providing sustainable democratic solutions to political conflict, and elites failed to overcome authoritarian tendencies or successfully resolve divisions, undermining modernisation. Moves towards more developmentalist strategies, with elements of ISI, state-led planning or regional cooperation in these cases was truncated and eclipsed. But elites not only mediated shifting structural constraints, but also had to deal with changes in society. Weak institutions undermined the capacity of the state to respond to periodic economic opportunities and crises, to avoid capture by elite and corporatist groups within society, or to deal with increasing demands from new social forces in society. Uneven modernisation left societies fragmented and volatile, obstructing linear movements towards democracy and facilitating protracted instability.
In Bolivia, the social forces behind the 1952 national revolution, comprising trade unionists and urban middle class intellectuals, successfully conquered traditional political elites and the state apparatus as a means of bringing about change. Social reform and the broadening of political representation extended the suffrage to women and to indigenous groups. However, the MNR was dominated by white urban middle classes, and the benefits of nationalism accrued primarily to this sector through the creation of public sector employment (Dunkerley 1984:80). Nationalisation of industries resulted in a set of corporatist arrangements between unionised labour and the state. This gave trade unions a privileged place in national politics, leaving the relatively less influential peasant associations and their demands in a subordinate position. Moreover, the nascent national peasants associations did not represent a coherent, democratic movement. Under military rule in the 1960s, Marxist guerrillas such as Che Guevara made attempts to mobilise rural peasants along class lines with little success (Dunkerley 1984:147). Instead, military governments successfully engineered a populist pact with peasants’ associations that lasted until the late 1970s. These pacts, along with periodic violent repression, undermined the political clout of trade unions which had retained sufficient power to challenge the dictatorship of General Hugo Banzer (Whitehead 1985:565). This illustrates how even after a revolution, certain configurations of elite dominance could effectively divide and conquer social forces that ostensibly shared common democratic goals.

Honduran elites from the 1940s continued to contest political power, but the national military replaced the United States and the fruit companies as the arbiter of elites, and became a force for modernisation (D'Ans 1998:235-7). Amongst Central American countries Honduras had the strongest trade union and peasant associations, yet these did not convert into a revolutionary social movement (Karl 1995:81, Robinson 2003:121). The response to a
brief period of trade union activism in the 1950s illustrated the effective accommodation and neutralisation of social forces (Boussard 2003:138-9). Demands for agrarian reform were neutralised without disturbing traditional interests as a consequence of a brief, and disastrous ‘Soccer’ war with El Salvador in 1969 (Mahoney 2001:256). This resulted in the expulsion of 100,000 Salvadoran citizens whose land was expropriated and distributed to peasants. After this, regionalised agitation over land rights and labour conditions was dealt with locally through oppression or patronage. The military governments of the 1960s and 1970s successfully courted peasants’ associations, in a manner which precluded an alliance between the peasants and organised labour or radicalisation of the movement (Cálix Rodriguez 2003:11). This ensured that land issues never threatened to dominate the national political agenda. No broad-based grass-roots opposition to the regime emerged, and political violence remained low in comparison to other countries in the region. Public sector trade unions enjoyed a privileged position and government spending increased under the developmentalism of military rule. The effective segmentation of unions and civil society organisations and the resulting fragmentation of social movements are important factors in explaining the lack of a revolutionary movement or broad social conflict in Honduras in this period (Torres-Rivas 2007:157-9). The slow move towards civilian democracy that began in the late 1970s and 1980s, supported by the United States and business elites tiring of military corruption, preserved the cooptation of social forces (Bulmer-Thomas 1990a:309, Boussard 2003:149).

In Nicaragua the move towards revolution emerged as a result of the absence of a third force between dictatorship and revolution (Robinson 2003:72). Attempts by Marxist guerrillas in the early 1970s to generate broad based social mobilisation were unsuccessful. But the Pacts underpinning the Somoza regime began to unravel in the face of economic crisis, social stagnation, increased political
repression and overt corruption after the 1972 earthquake that ravaged Managua (Bulmer-Thomas 1990b:346). Traditionally complacent sectors of the urban middle class, intellectuals, students, and the Church were galvanised. In contrast to Honduras, by the 1970s the Somoza-allied elites failed to respond effectively to social and economic crises or maintain a balance of control over social forces. Escalating violence against society demonstrated the weakness of the Somoza regime, and invoked sympathy from middle classes for a militarised response from the opposition forces (Torres-Rivas 2007:111). This laid the basis for a somewhat unlikely coalition with left-wing Sandinistas that were mobilising rural peasants and urban working classes (Isbester 2010:7-8). The idealism behind the revolution was not based on Communist ideals, but rather on notion of democracy that was intimately related to socio-economic well-being, rather than the formal electoral concepts favoured by elites in the region (Vilas 1996:463). The Sandinista project aimed not just to democratise the state, but to overhaul its role in the economy and in society. Together, these tendencies offered a middle-way socialist project for Nicaragua that appealed to a broad variety of groups and constituencies, including some Conservative elites that were opposed to Somoza (Anderson 2006:144, Vilas 1992:323-4). The revolution caused a rupture in Nicaraguan politics that changed the cleavages and distinctions within civil society. Once in power, the Sandinista regime fostered trade unions under the party umbrella, expanded local government and created Sandinista civil society organisations at every level, which often performed parastatal functions (Martí i Puig 2010:83-4, Williams 1994:174-5). The attempts to carry out widespread agrarian reform was resisted by landed elites who began to flee and posed practical production issues for the regime, since the economy continued to rely heavily on output from the agro-export sector (Williams 1994:176, Vilas 1992:323-4). The exiled elites of the Somoza era opposed to the Sandinista regime began to receive covert support from the United States. After the 1984 elections it was these
divisions which brought the Sandinista government into an armed conflict, eventually resolved by defeat in the 1990 election.

Complex internal pressures building throughout this period from within society strained the coherence of authoritarian rule in each case, but external factors determined a prominent role for elites in dictating the terms of democratisation in the 1980s and 1990s in these cases. From a structural perspective, democratisation in the region was facilitated the dynamics of the last decade of the Cold War, which changed the interests and involvement of the United States in the region. The perceived success of the Sandinista revolution in Nicaragua in 1979 was an important factor influencing a shift by the United States towards supporting controlled moves away from authoritarianism to electoral democracy as a means of preventing further revolutions from taking hold in countries such as El Salvador and Guatemala, and threatening business and geo-strategic interests. In general, the withdrawal of support from authoritarian regimes and the promotion of democratisation changed the incentives of military leaders and agro-exporting economic elites (O'Toole 2007:58). Other regional influences also had a bearing on military chiefs, especially the collapse of the dictatorship in Argentina in 1983 and the moderation of the Pinochet regime in Chile from the early 1980s (Whitehead 2001a:31). The impact of the international economic crises of the 1970s was another factor undermining authoritarian rule and challenged the foundations of the political and social pacts that underpinned military rule. Cheap loans were acquired by authoritarian regimes in Bolivia, Honduras and Nicaragua in the 1970s, but as interest rates rose new finance became unavailable and servicing costs spiralled, and these countries were heavily affected by the regional debt crisis sparked in Mexico from 1982. Amidst the chaos of economic crisis and political instability a region-wide transition to democracy took place.
There ensued a tumultuous and protracted transition to electoral democracy between 1978 and 1985 in Bolivia. The extent of the corruption of military governments and the implication of military leaders in the production and trafficking of cocaine in Bolivia caused alarm for the United States, which began to support moves towards the negotiation of democratic transition among elites (Dunkerley 1984:238). General Banzer had begun the process in 1978, when the pact between the military and peasants’ associations began to disintegrate. The peasants’ associations formed a loose alliance with trade unions and left-wing urban middle class groups and together they continued to put pressure on military leaders, and on the first democratic government in office between 1982 and 1985. Social mobilisation hastened the decline of authoritarian rule, but the actual transition was essentially pacted between military leaders, right-wing economic elites and the leadership of the MNR representing the revolutionary forces of 1952 (Salman 2007:117, Whitehead 2001a:28). The collapse of the international price of tin, and the subsequent closure of the state mines caused 27,000 workers to lose their jobs. This, along with the devastating impact of hyperinflation shattered the political power of the trade unions. The political force of the left was decimated, while the coalition government that introduced neoliberal reform from 1985 was formed by an alliance between the revolutionary party and former allies of the Banzer dictatorship, signalling the exhaustion of alternatives among political elites (Salman 2007:117).

The negotiation of a phased return to civilian rule and electoral democracy in Honduras took place between business elites and military leaders from 1977 to 1981 (Sieder 1996:24-5). Here too, military leaders were losing credibility as a result of corruption and mounting economic problems, and business elites and middle classes were keen to avoid social unrest or revolutionary change (Biekart 1999:146-7, Torres-Rivas 2007:120). The impact of growing debt burdens and the broader international economic crisis was masked as
a result of the extensive aid given by the United States as part of military support until the late 1980s (Bulmer-Thomas 1990a:314-6, D'Ans 1998:267). The elite-led transition was circumscribed by a strong presence of the military in politics, which further minimised a role for other social forces in the process (Biekart 1999:158-60, Boussard 2003:162). Only when levels of soft aid from the United States finally tapered off in the 1990s did the military substantially withdraw from politics, and the extent of the economic imbalance became apparent.

The Nicaraguan case diverges dramatically from the regional norm as a result of the Sandinista revolution, which also revealed the intensity of the United States interest and involvement in democratisation in the region. Partly as a result of the conflict between the Sandinista regime and the United States, the literature is divided between those dating democratisation from the revolution in 1979 and its tentative formalisation in the 1984 elections, and others who focus on the 1990 elections held at the resolution of the conflict (Torres-Rivas 1996b:15, Williams 1994:178). In the 1984 elections turnout was high and there was broad popular support for the new government, but it was difficult to legitimise the process in a context of civil conflict. Significantly, the United States refused to recognise the outcome. The intensifying armed conflict facilitated massive capital flight and a blockade on trade and investment. Infrastructure was destroyed and productive activity collapsed, and the impact was compounded by the effects of the regional debt crisis (Torres-Rivas 1993, Martí i Puig 2010:83). Negotiations leading to peaceful elections in 1990 were facilitated by regional actors in the Contadora process led by Mexico, Venezuela and Colombia, and in the regional peace plan led by President Oscar Arias of Costa Rica (Lafeber 1993:340-341, Torres-Rivas 2007:126). In sharp contrast to the social mobilisation that defined the 1979 revolution, these negotiations were led by the elites of the dominant political actors (Williams 1994:180). An exhausted population elected a coalition opposition government, comprised of
traditional elites in alliance with moderate forces, to replace the Sandinista regime, and the outcome was recognised by the United States (Dunkerley 1994:26, Vilas 1992:338). While deeply shocked and in disarray, the defeat was also accepted by the Sandinista leadership (Marti i Puig 2010:86). The prominence of elite involvement in negotiating the transition to peaceful democracy in Nicaragua reinforces the importance of focus on elite politics, and on the constraining role of the United States. Nevertheless, the revolutionary experience also reiterates the importance of social forces in all cases for setting the political context for democratisation.

In sum, the trajectory of politics and development in these three cases offers an insight into the difficulties of overcoming the marks of dependency as a result of path dependencies in the state, even while allowing for revolutionary change led by new social forces. Poor initial conditions and sub-nationally regionalised elites unable to overcome their differences in the national interest interacted to undermine economic modernisation and left institutional legacies that affected the capacity of these states to deal with the scale of the inter-related economic, social and political crises after 1929. Important junctures for breaking with path-dependencies took place with revolutions in Bolivia and Nicaragua, illustrating how authoritarian and oligarchic rule could exhaust its means of co-opting social forces, and new political elites could emerge. At the same time, the Honduran case illustrates how elite control could be reinvented to preserve the status quo, at the cost of economic modernisation. By the late 1970s the state in these cases retained elements of the colonial era mixed with the modern features. Nascent elements of civil society were important for setting the context for revolution and reformism, yet the limits to revolutionary change were defined by the failure of urban and rural forces to form lasting alliances, the instrumentalisation of these divides by traditional elites and military rulers, as well as in the pervasive influence of the United States in the context of the Cold War. The form and mode of
democratisation was heavily influenced by external factors, and resulted in elite-led transitions in each case. These themes are carried forward into the next section, which looks in greater detail at the experience of democracy and neoliberal reform from 1980 to 1999.

5.3 Democratisation and Neoliberal reform

Alongside the political transitions in Latin America, economic transitions took place as a result of the introduction of structural adjustment packages to deal with the effects of the debt crisis. The impact of the debt crisis on the region paralleled the critical juncture of 1929 by accelerating the breakdown of the political economy of the nationalist-developmentalist era and heralding a neoliberal era. If, from 1929, the political strains of the shift from one political economy to another in the region were mediated by military intervention, with support from the United States, from 1982, the international financial institutions and the conditions imposed on countries served as a mediating structural constraint, redefining the limits of politics. From a critical perspective of international political economy, neoliberalism replaced authoritarianism and military intervention as a means of disciplining developing countries. Guided by this perspective, this section explores the impact of neoliberal reform on the state and civil society in Bolivia, Honduras and Nicaragua, and its interaction with underlying and emerging political dynamics.

The elite-led transition processes focussed on the withdrawal of the military from politics, and then on responding to the economic crisis. Initial steps to deal with the legacies of authoritarian rule and conflict were unconvincing: in Bolivia and Honduras, military impunity continued for corruption, abuses of power, disappearances and torture (Estellano 1994:35-6, Karl 1995:76, Torres-Rivas 1996b:13),
while disarmament and property rights issues dominated the first three years of the coalition government in Nicaragua (Torres-Rivas 2007:144). In a desperate and cynical move, the outgoing Sandinista leader Daniel Ortega distributed assets appropriated by the revolutionary government to party loyalists before handing over power to the coalition government. This ‘piñata’ undermined the credibility of the Sandinistas as a democratic force in opposition (Dunkerley 1994:39). The introduction of neoliberal reforms presaged the end of revolutionary options in the region and secured the renewed ascendancy of traditional right-wing elites in political and economic life (Biekart 2001:192-3). Meanwhile, the perception that there was no viable policy alternative to structural adjustment after the experience of hyperinflation contributed to a degree of policy continuity and conformity across governments and countries in the region after democratisation.

Bolivia pioneered the introduction of structural adjustment in 1985 to deal with what was proportionately the earliest, and largest debt crisis in the region, and one of the most dramatic cases of hyperinflation in the absence of conflict (Morales and Sachs 1986:159). The reforms aimed to systematically reshape the role of the state in the economy by reducing and reorienting the institutions of economic nationalism that had been in place since the revolution in 1952. Morales and Sachs describe the problem as follows:

...most of the period is characterized by a development strategy of "state capitalism," in which the public sector is called upon to be the leading engine of growth through public sector investment spending and overall guidance of the private sector. The paradoxical result, however, is that as the government tried to control too much, it ended up controlling very little indeed. The model of state capitalism was particularly undermined by the chronic instability in policymaking that resulted from the rapid turnover of governments. (Morales and Sachs 1986:172)

To overcome this, these authors devised a series of technical reforms collectively called the New Economic Policy, foreshadowing the Washington Consensus list in the emphasis on liberalisation and prioritisation of exports and foreign investment as the motor of
growth (1986:238-9). State institutions and policies prominent in the nationalist-developmentalist era were sidelined or eliminated: nationalised industries were privatised or shut down, subsidies and price controls were eliminated, wage agreements and labour restrictions were undone, and there were huge job losses in the public sector. While this led to mass unemployment, the potential of social mobilisation to disrupt the reform process was undermined by the corresponding decline in the power of trade unions (Haarstad and Andersson 2009:11). In 1993, the leaders of the newly elected MNR government embraced the neoliberal model. Led by an enthusiastic set of young technocrats, the reform agenda was broadened to include state modernisation, the reform of social policy and introducing important decentralisation legislation (Gamarra 1998:78). In 1997, the incoming coalition government also presented a broad commitment to sustaining the momentum of reform.

Honduras and Nicaragua implemented structural adjustment agreements later, but the content of the reform programmes largely followed the blueprint established by the earlier Bolivian experience, and corresponded to both the first and second generations of reform. From 1990, President Callejas of the ‘modernising right’ faction of the National Party in Honduras, surrounded by young technocrats, negotiated a structural adjustment programme with the IMF and launched an ambitious package of reforms for overhauling and modernising the institutions of the state (D'Ans 1998:289, PNUD 2006:82-3). The measures in this programme were resisted by more traditional factions within the ruling party and by the opposition Liberal party (Robinson 2003:128, Sieder 1996:30-31). The reforms aimed to dismantle elements of developmentalism that had become established under the reformist military regimes of the 1970s, and the prevailing clientelist culture, and included an overhaul of agrarian reform (D'Ans 1998:293). While the effects of the economic crisis and reforms generated discontent, social mobilisation on these issues never challenged the control of the two-party system (Cuesta
The agenda continued to be implemented in the Liberal governments of Presidents Reina and Flores from 1994 and 1998 respectively; Flores also introduced statutes governing teachers’ pay, temporarily settling ongoing disputes (de Jong et al. 2008b). In Nicaragua the coalition government of President Chamorro secured a structural adjustment loan agreement with the IMF in 1993. The package aimed to facilitate post-conflict reconstruction through aid, while dismantling the Sandinista state and removing direct state involvement in economic activity. The anticipated impact of privatisation on the economic and political power of the Sandinista party provided the context in which the ‘piñata’ authorised by Ortega took place: its acceptance by the Chamorro government formed part of a short-term elite compromise to secure political stability (Everingham 1998:256, Dye and Close 2004:122). Further opposition to reform, from the Sandinistas in parliament and on the streets, undermined the ability of the Chamorro regime to implement reforms successfully (Isbester 2010:20, Martí i Puig 2010:91). Nonetheless the volume of aid and pressure from external actors helped to ensure that the reform agenda was carried through zealously by technocrats under President Arnaldo Alemán from 1996.

Relative continuity and conformity in the content of policy in these three cases belied political dynamics that meant that reforms were not fully implemented and the nature of the state was not entirely overhauled in the 1990s. Political dynamics underpinning the pacted nature of transition affected the success of the reform process. The introduction of neoliberal reforms was supported by the widespread use of rule by decree, political party pacts to sustain the agenda and a degree of coercion to neutralise mobilisation against reforms (Silva 2009:107–8). Ad hoc implementation was related to the ‘feckless pluralism’ of these new democracies (Carothers 2003:10), and the persistence of authoritarian enclaves. Elections in Bolivia became a straightforward contest for political power with little reference to
programmatic agendas. Coalitions were formed by trading quotas of political appointments, perpetuating clientelism (Whitehead 2001b:15). In Honduras the alternation of power was based upon arrangements governing the quotas of power within state institutions state (Cuesta 2007:334-5). The consolidation of the traditional two-party system suited economic elites, perpetuating the instrumentalisation of civil society and precluding the growth of smaller parties (Sieder 1996:37).

In the aftermath of revolution and conflict in Nicaragua, society was deeply polarised and the bases for stable party competition were highly unstable. The coalition government was divided among a number of right-wing factions inherited from the pre-revolutionary era (Robinson 2003:83). The traditional Conservatives were represented by Chamorro, while the Liberals were broadly divided between those loyal to the Mayor of Managua Arnaldo Alemán, representing traditional Somoza elites, and modernising Liberals keen to break away from the past (Vilas 1992:338). Beyond the coalition, the Sandinista leadership was in disarray after election defeat and the rank and file were divided over Ortega’s leadership and the piñata (Biekart 2001:194, Torres-Rivas 2007:145). Fragmentation of the political spectrum was overcome when the Sandinista leader Daniel Ortega engaged in a series of cumulative political pacts with the newly elected Liberal President Alemán in 1996. In exchange for support for Alemán, Ortega obtained access to a quota of political power in the form of appointments to key institutions such as the Supreme Court, and changes to the rules governing elections (Close 2004:13). The ‘pact’ set up the basis for a self-reinforcing duopoly of power, thereby eliminating the possibility of a third force in politics (Hoyt 2004:38-9, Montenegro 2002), subverting formal institutions and undermining the reform agenda.

As a result of the dynamics of party competition particular to each case, in practice, the role of the state in these imperfect,
unconsolidated democracies did not correspond to the neoliberal logic detailed in the reform agenda. The centralised state incorporated elements of the neoliberal approach to efficiency and market facilitation promoted by Sachs. Ministries of Finance, Central Banks, Presidents’ offices and external relations functions relating to coordinating international aid and finance took central stage (Silva 2009:25) and were populated by an elite technocratic cadre of civil servants and experts with close links to the World Bank and the IMF (Kaufman and Haggard 1992:13, Panizza 2009:36-7). The role of the state shifted decisively away from directing economic activity with the closure and privatisation of state-owned enterprises. This gave an important role to state officials involved in the negotiation of privatisation and granting concessions to foreign investment. While these processes responded to the modernising agenda, it also provided opportunities for the resuscitation and proliferation of traditional practices whereby elite interests could penetrate and dominate the state. In addition, corporatist practices that dated from the developmentalist era persisted in state institutions. Attempts to overhaul social sector practices were resisted by vested interests and by public sector unions which retained political influence (Grindle 2001:15-16, Haggard and Kaufman 2008:219). Overall, different segments of the state responded to different political dynamics as institutional arrangements inherited from previous periods persisted. This has been conceptualised in a number of ways for the different countries in the 1990s.

Bolivia was a described as a hybrid system, or a ‘state with holes’, in which the reach of the state was unevenly established as a result of state-building exercises in the 1950s and 1990s, and was characterised by institutional pluralism accommodating a range of actors at different levels of government (Gray Molina 2008:109). Important reforms were implemented by modernising technocrats with the aim of creating a modern state (Nickson 2005:399), helping to undermine traditional patterns of clientelism and patronage at
national and local levels (Gray Molina 2003:351). Yet corruption and clientelism continued to flourish in new ways, and the state remained essentially incomplete (Morales 2001:55). There was little penetration into remote areas, and parallel legal systems continued in indigenous communities, especially in the highland areas (Crabtree and Whitehead 2001a:217–8). The politics of the illicit coca economy are also emphasised as mitigating the direct impact of structural adjustment on the population by providing employment, providing a measure of political stability. But in the process, these dynamics fed corruption at all levels of government, undermining the prospects for true reform and democratisation (Estellano 1994:39, Hylton and Thomson 2007:97, Salman 2007:116).

In Honduras, the state has been conceptualised as primarily a concessional state involved in granting concessions to foreign business interests, dating from the ‘banana republic’ period. This operated alongside the remnants of the developmental-corporatist state run by the military dating from the 1960s, and the renovated institutions of the neoliberal state dating from the 1990s (Seppänen 2003:15–17). After democratisation, the functioning of the concessional state was highly related to the dynamics of party competition and quotas of power and was fraught with corruption and clientelism, a pattern mirrored in Bolivia and Nicaragua (Arze Vargas 2008:241, Grindle 2003:19, Vilas 1996:491). From the ‘developmentalist’ state in Honduras, teachers and medical unions retained considerable bargaining power over wage deals throughout the 1990s, supported by sympathetic officials in social sector ministries (Boussard 2003:168). Meanwhile, the rule of law began to be challenged more systematically by the growth of drug-trafficking, and the associated corruption affected all state institutions (Rosenberg 1988:149–150). The neoliberal state struggled to assert its autonomy from and authority over the political dynamics of the other segments throughout the 1990s in Honduras. This was complicated by leaders, such as President Callejas from 1990-1994, who privileged
technocrats within the state and espoused neoliberal reform, yet simultaneously engaged in vast corruption through other channels (Dunkerley 1994:39-40). This pattern was repeated across the region, discrediting both political elites and the reform agenda (Vilas 1996:478). Nicaragua is often described as a case in which neoliberalism was hegemonic in the 1990s (Ruckert 2007:104). The developmentalism of the Sandinista era was systematically overhauled by neoliberal technocrats allied with modernising business elites. However, the reform process was undermined by the resurgence of traditional elites associated with the corruption, clientelism and patronage of the Somoza era who became dominant under the Alemán administration (Robinson 2003:83). Alemán’s personal business interests overrode policy concerns with competitiveness, while social policy was used for patronage purposes. This led to overt corruption, facilitated by ongoing deals with Ortega under the dynamics of the pact (Anderson 2006:156-7, Dye and Close 2004:126-127).

The conceptualisation of incomplete, hybrid and unconsolidated state governance systems highlight the weakness of democracy in procedural terms in all three cases by the late 1990s. In substantive terms, the impact of democracy and neoliberal reform on the socio-economic well-being was decidedly modest across the region, and Bolivia, Honduras and Nicaragua remained in the bottom ranks in the region. Economic recovery from the 1980s crises was slow and modest, and growth remained volatile and extremely sensitive to external factors. Moreover, the trickle down to lower levels of society was relatively minor, and growth per capita was much lower, as a result of low productivity and population growth, illustrating how little transformation had taken place.
As part of neoliberal reforms, incomplete social protection regimes inherited from the previous era in Bolivia and Honduras were significantly reduced, while the universal system introduced under the Sandinista regime in Nicaragua was dismantled. The establishment of social funds and other programmes to cushion the impact of adjustment, along with increases in social spending from the mid-1990s, meant that social indicators began to improve. However, absolute and relative levels of poverty and inequality measures remained stubbornly high and resistant to substantial change, as illustrated in the table 5.3.3 below.
There was little feedback of poverty outcomes through elections to leaders’ agendas in this period, pointing to apathy among voters (Crabtree and Whitehead 2001a:219, UNDP 2004:15). This assessment suggests that neoliberal reform facilitated the domination of elite interests, and thereby limited the potential for successful implementation as elites effectively secured the neutralisation and pacification of the social forces of the previous era. But while the reform agenda was comprehensively imposed, contestation of neoliberalism did take place in the 1990s by an evolving civil society. Even with the declining political importance of trade unions, nonetheless social mobilisation against neoliberal reform continued into the 1990s. The following discussion considers the extent to which traditional social forces evolved in the context of democratisation in each case, before dealing with the impact of the massive expansion in civil society organisation at local level.

Table 5.3.3
Selected Poverty and Inequality Indicators, 1990s

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>% Population below the poverty line</th>
<th>% Population in extreme poverty</th>
<th>% with income per capita less than 50% average</th>
<th>Concentration index (Gini)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>1994</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>62.1</td>
<td>37.2</td>
<td>28.7</td>
<td>0.595</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>60.6</td>
<td>36.4</td>
<td>29.5</td>
<td>0.586</td>
</tr>
<tr>
<td>Honduras</td>
<td>1990</td>
<td>80.8</td>
<td>60.9</td>
<td>26.1</td>
<td>0.615</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>77.9</td>
<td>53.9</td>
<td>24.4</td>
<td>0.56</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>79.1</td>
<td>54.4</td>
<td>23.3</td>
<td>0.558</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>79.7</td>
<td>56.8</td>
<td>25.7</td>
<td>0.564</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>1993</td>
<td>73.6</td>
<td>48.4</td>
<td>27.4</td>
<td>0.582</td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>69.9</td>
<td>44.6</td>
<td>26.8</td>
<td>0.583</td>
</tr>
</tbody>
</table>

Adapted from (CEPAL 2008:c4, c14)

In Bolivia old and new business elites flourished under neoliberalism and public sector unions continued to play a role. But the
traditionally powerful miners union declined in importance, and identity politics gave rise to new social movements not easily classified within traditional schemes. The national peasant confederation, the CSUTCB, had been founded in 1979. This illustrated the beginning of identity politics, important in its own right as an expression of civil society, and also because it began outside the established patterns of corporatist state relationships (Donlon 2006:5). Other more ad hoc and localised social movements flourished in response to conditions imposed by neoliberal reform after 1985 and the growth in informal employment in cities and in illicit coca production. Ex-miners, and former trade union members, that migrated from mining areas to the city of El Alto above the capital La Paz organised in neighbourhood associations, while those who migrated to the valleys to seek a living in the production of coca, and formed powerful coca growers’ unions in cities like Cochabamba. More generally, in response to widespread unemployment and social hardship an array of associations emerged that became increasingly politicised in the 1990s (Estellano 1994:42-3). But rather than viewing social mobilisation as an automatic response to neoliberalism, the ways in which neoliberal reform offered opportunities for new actors is important in this case. At local level, alternative forms of government based on the traditions of indigenous groups continued to flourish in many forms, most notably in the ayllu1 system in the Andean plains region (Crabtree 2005:7). The Law for Popular Participation in contributed to the growing strength and activism of civil society at local level (Gray Molina 2003:352, Haarstad and Andersson 2009:15,22), although decentralisation was only partially and unevenly consolidated (Gray Molina 2008:110, Whitehead 2001b:11-12). New organisations slowly grew in strength and number and began to mobilise in sporadic, ad hoc protests alongside more traditional actors such as public sector unions against the perceived unfairness of neoliberal reforms and

1 The ayllu is a form of local government in Andean society dating from pre-Columbian times. The Law for Popular Participation in 1994 officially recognised ayllus.
corruption in politics (Whitehead 2008b:3). As the effects of a regional economic crisis on Bolivia intensified from 1998, these forms of contestation became more important.

The responses and interaction of traditional social forces in Honduras to neoliberal reform in the 1990s displays less evolutionary interaction, and tends to confirm how elite influence and the bi-party system was consolidated after democratisation (D'Ans 1998:314, Taylor 1996:334). An important civil society platform involving business elites, peasants associations, trades unions and newer civil society organisations came together in the early 1990s to campaign against the role of the military in politics. But after initial victories in this area, which resulted in a partial reversal of impunity, the end of compulsory military service and the civilianisation of the criminal investigation bureau, the momentum dispersed (Boussard 2003:168, Torres-Rivas 1996b:21). Business elites enjoyed close direct links with government through the party system, and military leaders retained an influential role in the economy. A private company, known as the Instituto Politico-Militar was formed which bought up a range of assets during privatisation (Karl 1995:81, Vilas 1996:496). These included amongst others a bank, an insurance company, a cement factory, hotels, a football club and the main arms dealers – a portfolio representing a veritable ‘state within a state’ or an ‘armed bourgeoisie’ (D’Ans 1998:320-1, Dunkerley 1994:24). The potential for sustainable alliances between other social forces such as the peasants association, or new more radical organisations such as the Bloque Popular, continued to be effectively strangled by partisan divisions (Cálix Rodriguez 2003:11-13, Sieder 1996:37). In part this was due to the absence of a ‘golden age’ of autonomy and action for left-wing civil society organisation to draw from (Dunkerley 1994:12), coupled with ongoing cooptation and accommodation. Periodic confrontations from 1994 between public sector unions and different governments attempting to comply with the IMF by lowering the public wage bill illustrate these dynamics. The influence of the
unions, and the disinterest on the part of elites to restructure the education and health sectors, meant that only marginal incremental changes were implemented (Cuesta 2007:336). In turn, unions agitated primarily to fulfil their own sector interests, and did not evolve over time to embrace broader social interests beyond short-term strategic alliances.

While the revolutionary experience makes the Nicaraguan case distinctive, the dynamics of the pact between Ortega and Alemán had a similar impact to that of the Honduran bi-party system in neutralising the emergence of a third political force from civil society. The reform agenda was disrupted by social mobilisation from organised civil society in protest at structural adjustment measures in the early 1990s. The Sandinista loyalists included public sector unions such as health workers, teachers and University lecturers and others representing construction workers, the transport sectors and the peasants association FENAPA. But from 1995 trades union protests were used by Ortega as part of a more personal strategy for obtaining a quota of political power (Martí i Puig 2010:39), effectively demobilising their political force and provoking damaging internal struggles (Grigsby 2005). On the other side of the pact, older associations of businessmen and large farmers promoted sectoral interests (Booth and Richard 2006:119) and agitated for employers’ interests, particularly in response to unfavourable fiscal measures that imposed new costs on business (Montenegro 2002). The polarisation of social forces along the two sides of the pact drew commentaries about the entrenchment of caudillismo and threats to governability by the end of the 1990s (Dye 2000:4-5, Torres-Rivas 2007:147-8). The subordination of social protest to political dynamics precluded the evolution of these forces.

The weakness of formal political representation and the exclusion of social forces from political parties contrasted with the growth in other civil society organisations in this period. In each case, new
opportunities for local level participation in social service design and delivery, through social funds, decentralisation and donor projects and programmes opened new spaces for civil society to engage with the neoliberal agenda (Molyneux 2008:784). In Bolivia, the proliferation of NGOs and the expansion of participation built on historically high levels of activism and social mobilisation. These organisations occupied a social role left absent by the state in the 1980s (Donlon 2006:4-5). Many new organisations restricted their activities to service delivery under aid programmes, but others used their resources to support the political empowerment of civil society around public policy issues (Donlon 2006:13, Torres-Rivas 2007:147-8). Activism was also due to the fact that new NGOs absorbed a great number of trade unionists and state officials who had lost their jobs in the 1980s (Hylton and Thomson 2007:96). The Roman Catholic Church was another important actor in local development in Bolivia, explicitly charged with the delivery of education and health services at local level in this period. The Church was as a large, well-trusted social organisation and also often assumed the role of mediator between social movements and the state at national level (Eyben 2003:17), alongside its extensive work as a service provider and as an advocate for change (Morrison and Singer 2007:728).

The proliferation of NGOs in Bolivia fostered by middle-class intellectuals and the Church has been attacked for destroying the bases class-based alliances, using scarce development resources and usurping the political space that belonged to grassroots organisations (Arellano-Lopez and Petras 1994:562-7). But the multiple roles played by the Church highlights the difficulty in the Bolivian case in making clear distinctions between political and civil society, and between different types of groups within civil society. At the micro level individuals potentially participated in different channels simultaneously (Woll 2006:3-5): for example, those participating in the ayllu systems might also have been active as members of national peasants’ platforms, or a variety of trades
unions, local level organisations, NGOs and political parties, even while working in coca farming. The expansion of civil society at local level under neoliberalism countered the national level trend towards political exclusion as a result of the dynamics of political party competition. At the same time, the focus on local government democratisation has been criticised for atomising and neutralising the potential of civil society to engage with national agendas. Rather than viewing these reforms as part of clear move towards pluralism:

The existence of extensive social organisation... multiple channels for engaging with the state ...was evidence of a democratic system that was not evenly or comprehensively institutionalised across regions or levels of government

(Whitehead 2008b:5)

The expansion of civil society and participation at local level was not matched by incorporation of these interests into national level parties, leaving a deficit of representation (Crabtree and Whitehead 2001a:223).

In Honduras, with the support of USAID in the 1980s considerable aid was given for local development as part of the counter-insurgency project. This led to a three-fold increase in the number of NGOs implementing development projects, and the spread of fundamentalist missions (Biekart 1999:172-4). In addition, the Catholic Church and the cooperative movement were already active in service delivery activities at local levels, but tended to operate in a more activist discourse of human rights and democratisation (Seligson 1999:352, Taylor 1996:330). These organisations, along with prominent women’s and human rights organisations active at national level tended to receive funding not from USAID but from Canadian and European NGOs for their activities. The broad divide in sources of funding, which corresponded to and fostered different societal aims, laid the basis for a profound antagonism in the NGO sector which carried through into the 1990s and inhibited alliance-making (Biekart 1999:190). The tight and pacted control of democratisation by elites in Honduras and military repression inhibited latent social activism in the 1970s and 1980s (Sieder
Passivity and fragmentation in civil society was compounded by the legacy of sectors of ‘uncivil society’ engaged in drug trafficking and organised crime inherited from the violence of the 1980s (Dunkerley 1994). With massive unemployment and a growing informal urban economy, criminal networks flourished and violence increased steadily throughout the 1990s. Political parties operated as permanent electoral machines in a closed space, and did not incorporate or channel social interests, but rather sought to control or neutralise them (Cálix Rodriguez 2003:15-17, Taylor-Robinson 2001:594). Decentralisation processes were only partially implemented and failed to offer a means of eroding party control of politics at local level. Overall the scope for new civil society organisations to engage with national issues was highly limited and activists remained fragmented geographically and thematically.

The Sandinista regime in Nicaragua had established a “permanent dynamic of the people’s participation”, characterised by the proliferation of grassroots social movements (Booth and Richard 2006:122). The post-conflict context attracted an influx of private development funding, leading to the rapid growth of NGOs. Many were founded and run by ex-Sandinistas who had lost their jobs as the social sectors of the Sandinista state were dismantled, or who had become disillusioned by the direction of the leadership of the FSLN (Chavez Metoyer 2000:80). While retaining a left-wing flavour, these NGOs attempted to preserve autonomy by distancing themselves from party ties or by focussing on apolitical service delivery activities (Grigsby 2005). Alongside these, other NGOs with a more obvious ‘neoliberal’ flavour proliferated at local level as a result of funding from USAID, and remained explicitly passive vis-à-vis neoliberal reform (Biekart 1999:174). Some notable exceptions to these trends in the 1990s included the belligerent campaigns of the Women’s Movement and the National Consumer Defence Network (Montenegro 2002). Moreover, the Sandinista heritage facilitated the formation of national alliances; this tendency was formalised in 1998
in the context of Hurricane Mitch with the creation of a national umbrella body for NGOs, the Coordinadora Civil (CCER) (Bradshaw et al. 2002:14-5). The aim of the CCER was to increase the collective power and influence of new civil society organisations on public policy at national level, encouraging its members to engage and play an active role in public policy, although it retained loose links to the Sandinista Party (Grigsby 2005). These aims were ambitious in a context where increasing social participation was mirrored by a decrease in the space for political participation (Montenegro 2002). The limited progress of decentralisation legislation meant that the dynamics of political polarisation and pacts at national level continued to dictate at local level as well. The channels for engaging with the state in Nicaragua were narrow and centralised, and reflected the polarised nature of society, limiting the space for civil society activism at national and local levels (Dye 2000:37).

In sum, democratisation and neoliberal reform were twin elements of a structural paradigm implemented in the region in the aftermath of the debt crisis. Political democratisation focussed on elections and a withdrawal of the military from politics, while neoliberal reform had political impacts by privileging certain groups within society, reorienting the role of the state vis-à-vis the economy and social policy, and affected the composition and role of civil society organisations vis-à-vis the state. The politics of change meant that neoliberal reform was not fully implemented within the state; institutional legacies from the authoritarian era persisted; and the agenda was also contested by civil society. By 1999 the outcomes of this period of democratisation and neoliberal reform were modest in terms of growth, and weak in terms of poverty and social equality. Political participation was concentrated among elites at national level, while growing social participation at local level was disconnected from national agendas. It was in these contexts that the PRS attempted to generate means of bringing social issues to the mainstream of public policy, and to integrate bottom-up
participation into the process. The next section discusses the growing involvement of donors in these cases in this context.

5.4 **1999: Aid, state and society**

This section draws upon the previous sections and sets out the context of aid relations in 1999 setting the scene for the introduction of the PRS. The impact of aid and donor activities on the nature of the state and civil society are examined in a general way. Particular attention is paid to donor involvement in the evolution of social policy, decentralisation and participation in the 1990s, and the interaction of these processes with political dynamics and the impact on state-society relations are discussed. These areas were central to the PRS agenda and the experience of the 1990s established the context in which the PRS was introduced in 1999.

Aid flows were significant for these three countries before the debt crisis and the neoliberal era. Significant bilateral aid had been received from the United States under the Alliance for Progress, and the Inter-American Development Bank (IDB) was a significant source of concessional lending for infrastructure development in the 1960s and 1970s. With the intensification of Cold War dynamics in the region, aid took on a more obvious political character. After the Sandinista revolution, aid to Nicaragua from the United States, Japan and the IDB began to decline, collapsing altogether when President Reagan began to support the contra rebels against the regime. As part of this strategy, direct military and other aid to Honduras increased dramatically, with aid levels doubling in 1980 and 1981, and then jumping six-fold between 1981 and 1989, as illustrated in the diagram below. With the defeat of the Sandinistas and the resolution of disarmament issues by 1993, the United States had vested interests in the reconstruction of post-conflict Nicaragua and invested huge sums to support the coalition government and for the implementation of
neoliberal reforms. This led to a spike in the aid to Nicaragua from the United States, followed by a dramatic decline once the agreement with the IMF was secured. Meanwhile, flows to Honduras declined dramatically, falling back to early 1980s levels (D'Ans 1998:318, Lafeber 1993:331-2).

**Figure 5.4.1**

![Graph showing Total ODA, United States (Disbursement) USDm (Current Prices)](image)

Honduras had emerged from the conflict of the 1980s with better infrastructure and less social conflict, and as a result, aid flows to promote peace and reconciliation and reconstruction were relatively lower. The United States maintained a military presence in Palmerola air base and business links remained strong. Aid from the United States to Bolivia in the same period aimed to encourage and support anti-drugs programmes, and supported elite-led processes for democratisation and structural reform (Crabtree and Whitehead 2001a:217). The United States remained important in the political economy of the region, especially in terms of the War on Drugs and trade agreements, but became less important as a direct aid donor. Instead, the conditions imposed on Latin American countries as part of structural adjustment programmes introduced to deal with the effects of the debt crisis were overseen by the World Bank and the IDB.
In the absence of civil conflict, the efforts to transform the state and its institutions and to facilitate reconstruction and investment intensified, overseen by the IMF. This provided the overarching frameworks for aid and concessional lending from all official bilateral and multilateral sources during this period. Along with the influence accorded to aid relations as a result of conditionality, absolute levels of aid increased to all three countries throughout the 1990s, as illustrated in the graph below.

**Figure 5.4.2**

*Total ODA, All Donors (Disbursement)*

USDm Current Prices 2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Bolivia</th>
<th>Honduras</th>
<th>Nicaragua</th>
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<tbody>
<tr>
<td>1985</td>
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<tr>
<td>2009</td>
<td>12500</td>
<td>12500</td>
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</tbody>
</table>

*Adapted from (OECD 2011)*

A shift in aid practices meant that official donors expanded field offices as aid flows grew, and had greater day-to-day dealings with the Ministries and agencies implementing aid programmes by the mid 1990s. Bolivia’s New Economic Policy was written in 1985 by Jeffrey Sachs (Morales and Sachs 1986), who was then sponsored by the international financial organisations to implement the programme. This is a paradigmatic example of the dynamics of donor penetration of the state system under neoliberalism, and the internalisation of external actors. A new generation of young technocrats was coached by the IFIs and experts such as Sachs to
lead neoliberal transformation at national level. Elite cadres were formed within the normal rank and file of the civil service and tended to be concentrated in financial institutions close to Executive power: the President’s Office, the Ministry of Finance and the Central Bank (Kaufman and Haggard 1992:13). Lesser numbers were involved in sector ministries with responsibility for overseeing donor-funded projects and programmes. With the deepening of reform to include complex privatisations and reform of state institutions the number of external experts seconded to support reform increased.

In the previous section the partial domination and implementation of neoliberal reform in the state apparatus in the case study countries was detailed. Institutional legacies and the electoral dynamics inhibited the impact of the reform agenda. In the aid literature, problems with the logic of neoliberalism and with its implementation in developing countries were debated as causes for this. But there was also increasing recognition that in part, disappointing outcomes from aid were the result of the failures of donors to coordinate amongst each other (Vos et al. 2003:20). The penetration of international donors of different parts of the state system to implement programmes and projects compounded institutional fragmentation and duplication. Donors tended to work in isolation from each other and from the government, contributing to ad hoc, incoherent policy approaches. Institutional planning capacity was historically weak, and had been weakened by the elimination of planning ministries under initial reforms. Technical solutions were proposed to remedy this, and numerous plans, programmes and modalities were introduced and promoted by donors over the 1990s to deal with poverty and unemployment. This contributed to the generation of valuable statistical data and institutional capacity for dealing with social policy and poverty; however the approach was partial.

Most reform took place in Bolivia, where a growing concern with persistent poverty in the early 1990s provoked a number of
responses. Emergency social funds were pioneered in Bolivia from 1987 to deal with rising unemployment and poverty, exemplifying a new targeted approach to social policy (Cohen and Franco 2006a:29, Kirby 2003:86). A poverty map was produced by the National Statistics Institute in 1990 which was used to improve the targeting of the social fund. A national social strategy with a human development focus was produced in 1992 to plan for increased social spending, and in 1997 an Agricultural Transformation strategy was drawn up with the participation of stakeholders in the sector (Komives et al. 2003:113-4). However, these strategies suffered from being disconnected from central processes, and a lack of political will to carry them through. In Honduras, an emergency response programme was devised for national human development and the needs of children in 1991. This plan defined principles of efficiency and targeting for increasing budgets over the 1990s, but it did not lead to coordinated national planning, and no general poverty data was generated in this period (Cohen et al. 2006:288). In Nicaragua social policy was governed by a general concern with investments in human capital and social protection for vulnerable groups, but no coordinated approach was taken, and institutional duplication was fostered by donors and became consolidated (Dijkstra 2004:210, Largaespada Fredersdorff 2006:328).

In Honduras and Nicaragua social funds were established in 1990 as temporary programmes for delivering social investment in public works at municipal level, autonomous from other social sector ministries (Cohen et al. 2006:287, Dijkstra 2004:200-1). Conditional cash transfer programmes were also introduced in Honduras from 1990, and later in Nicaragua from 1999 to target the poorest families in rural areas where extreme poverty was most concentrated (Bradshaw and Quiros 2008:829, Rawlings 2005:136-7). From the mid-1990s, social spending increased across all modalities, significantly funded by aid increases. However, social sector ministries were not overhauled: instead, traditional sector-based
programmes in health and education ran alongside new targeted programmes and their parallel institutional arrangements. Social indicators recovered after the reversals suffered in the 1980s, and began to improve as overall spending, and social spending in particular, tended to increase in the mid- to late-1990s (Economic Commission for Latin America and the Caribbean 2003:175-8).

Table 5.4.3 Selected Social Indicators 1985-1000

<table>
<thead>
<tr>
<th>Country</th>
<th>Five-year periods</th>
<th>Life expectancy at birth (years)</th>
<th>Infant Mortality rate (per 1000 live births)</th>
<th>Under-5s mortality rate (per 1000 live births)</th>
<th>Illiteracy rates, population over 15 years of age %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>1985-1990</td>
<td>57.3</td>
<td>90.1</td>
<td>127.1</td>
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</tr>
<tr>
<td></td>
<td>1990-1995</td>
<td>60</td>
<td>75.1</td>
<td>98.9</td>
<td>21.9</td>
</tr>
<tr>
<td></td>
<td>1995-2000</td>
<td>62.1</td>
<td>66.7</td>
<td>85.3</td>
<td>17.9</td>
</tr>
<tr>
<td>Honduras</td>
<td>1985-1990</td>
<td>65.4</td>
<td>53</td>
<td>74</td>
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</tr>
<tr>
<td></td>
<td>1990-1995</td>
<td>67.7</td>
<td>43</td>
<td>60</td>
<td>31.9</td>
</tr>
<tr>
<td></td>
<td>1995-2000</td>
<td>69.8</td>
<td>35</td>
<td>50</td>
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<tr>
<td>Nicaragua</td>
<td>1985-1990</td>
<td>62.2</td>
<td>65</td>
<td>90</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>1990-1995</td>
<td>66.1</td>
<td>48</td>
<td>62</td>
<td>37.3</td>
</tr>
<tr>
<td></td>
<td>1995-2000</td>
<td>68.4</td>
<td>34</td>
<td>44</td>
<td>35.4</td>
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</tbody>
</table>

Adapted from (CEPAL 2010a:c3)

The principal limitation to donor efforts to encourage more coordinated national policy responses in these cases was perceived to be the difficulty in getting political leaders to focus on poverty and social issues. Across the developing world, policy conditionality was clearly failing to provide the correct incentives to governments, and raised questions around the political ownership of the reform agenda (Dijkstra 2005:444). Meanwhile, rising aid levels in the 1990s led to an increase in the resources diverted to fund civil society activities. As set out in Chapter Two, civil society participation was increasingly viewed as the silver bullet for delivering ownership and sustainability for good governance. In these cases, traditional corporate actors, including trades unions and national peasants associations were relatively absent from this discourse and from aid relations. Business groups played a central role in trade negotiations and therefore
retained a role for donors in devising plans and programmes for economic and infrastructural development, but they received little direct support and were not particularly concerned with poverty and social policy matters. In contrast, new organisations, especially NGOs, religious and cooperative organisations working on local development, and rights-focussed issue-based organisations at national level, were championed by official and private donors. In particular, the perceived disparity between the relatively closed and captured nature of national policy-making, and innovations in local development with targeted interventions and space for civil society participation, influenced donors. Civil society participation in local development was attractive not only for the potential to deliver effective aid, but also for enhancing accountability. This influenced the emphasis on decentralisation as a means of delivering effective aid in the second generation of reforms, which had implications for the role of the state and of civil society in democracy and development at local level (Dijkstra 2004:201).

The decentralisation process was most advanced and successful in Bolivia, where the Law of Popular Participation, passed in 1994, provided for the automatic allocation of resources to municipalities, with local participation. This was significant because it gave local government the power to decide how to allocate these resources for local public works and social investment, ostensibly democratising local government (Jette 2005:23-24). Popular participation was also significant in that it brought a state presence to remote parts of the country that had rarely been integrated into national institutions. As such it gave the poor, and indigenous people in particular, new access to the state system, and experiences of contesting and exercising power through these institutions at local level, eroding traditional patronage networks (Gray Molina 2003:360). This experience in Bolivia offers evidence to counter critiques of neoliberalism which argue that the state was hollowed out in this period. While the shift in priorities in the state left gaps, there were attempts to create effective
institutional frameworks to replace traditional institutional arrangements that perpetuated corporatism, clientelism and patronage in social policy (Molyneux 2008:982). But overall the process in Bolivia brought uneven results, with varying outcomes across the country. Powerful figures at local level still dominated new local government arrangements; and power to allocate resources represented only a step towards full democratisation and development at local level (Hylton and Thomson 2007:99).

Legislation for decentralisation was also developed in Honduras and Nicaragua as part of reform programmes, but implementation was hampered by weak capacity and resistance from vested interests. Resources dedicated for local development remained either tightly controlled by centralised state agencies, including social funds (Cohen et al. 2006:81, Dijkstra 2004:210, Largaespada Fredersdorff 2006:345), or else diffused across privately-financed NGO activities. Transfers to local government envisaged under plans for decentralisation were not implemented by the late 1990s, despite persistent donor pressure, as a result of political resistance. The 1981 Honduran Constitution had set out the principle of decentralisation, and legislation was approved to define this process in 1990. A number of plans and programmes were devised to transfer funds to municipalities but these were ad hoc, and a substantial transfer of resources to the control of local government did not take place (World Bank 2007a:237). The principle of ‘municipal autonomy’ was established in the 1987 Constitution developed under the Sandinista regime in Nicaragua (Anderson and Dodd 2009:159). But legislative measures to put this in operation only appeared after 1995, while meaningful transfers to local governments did not take place until 2003 (World Bank 2008b:94). The bulk of the space for civil society participation at local level therefore remained outside a formal democratic process.
The Honduran and Nicaraguan cases illustrate the problem of transferring institutional blueprints, and concepts such as participation, from one context to another without anticipating the political context and political resistance to change. But in spite of mixed results with decentralisation, donors remained concerned with overcoming national political dynamics and finding ways to incorporate greater participation in national level processes. The perceived success of civil society participation in delivering development impact at local level prompted donor-led efforts, supported by technocrats and some political leaders to open spaces for civil society to participate in national policy-making processes in each case. From the perspective of donors and technocrats, the challenge was to marry the political incentives of leaders with the aid agenda to generate ownership. In his way, greater civil society participation at national level sought to overcome, or bypass, party political dynamics that paralysed debate in parliament and undermined the implementation and sustainability of reforms.

A prominent effort was made in Bolivia in 1997 to address the vacuum at the heart of national policy-making and to open a space for participation. This National Dialogue was driven by political circumstances rather than donor imperatives, but it became associated with the neoliberal agenda. The former dictator, General Banzer, was elected President in 1997 as a compromise candidate with support from only 22 percent of the electorate. The coalition formed behind him lacked a policy agenda which caused a political impasse (Hylton and Thomson 2007:98). In an attempt to secure legitimacy and to secure the backing of key social actors for the political coalition supporting Banzer, a National Dialogue was proposed. The Dialogue was driven by technocrats within the state under the leadership of Vice President Jorge Quiroga. It was embraced by donors, especially the World Bank, as a means of overcoming political obstacles, especially in parliament, and of delivering better policy-making processes around aid relationships.
(Booth and Piron 2004:18, Nickson 2005:401). The process also directly influenced the evolution of the World Bank’s Comprehensive Development Framework and the PRS approach (Morrison and Singer 2007:727). The 1997 Dialogue was significant because it brought poverty on to the national agenda for the first time. However, the main outcome of the process was the introduction of coca eradication measures sponsored by the United States, and the other elements were never implemented. Politically, the process was not so successful: the space for civil society participation at national level opened by the 1997 was extremely limited to the leaders of traditionally powerful groups: academics, intellectuals and the leaders of the principal corporate groups – business leaders, trades unions and the peasants’ associations, were those invited to participate in national policy-making (Woll 2006:6). Importantly, the Catholic Church and other ‘new’ civil society organisations were excluded from the dialogue. Moreover, the process did not produce an institutional response, as no on-going mechanism for this type of national level consultation was provided, and since the agreements produced by the Dialogue were never implemented, participants felt cheated, and it was viewed as another example of corrupt politicking by political leaders. Rather than providing a solution to a policy vacuum, the process may have been indicative of a crisis in the legitimacy of formal political institutions. The policy responses of the government to the economic crisis failed to make an impact and the coca eradication and criminalisation policies resulted in over 50,000 job losses, which further provoked the mobilisation of grass roots organisations against the state and neoliberal policies (Hylton and Thomson 2007:100-101). Many of those who had participated in the national dialogue went on to mobilise street protests and blockades from 1999, highlighting the eroded ability of formal channels, well-established informal channels, and this type of national dialogue to contain and resolve rising discontent (Woll 2006:2).
Efforts to open space for participation in policy-making in Honduras prior to Hurricane Mitch in 1998 were piecemeal. A national forum for convergence (FONAC) in Honduras had been established to give input to education reform in 1998, but this space was criticised for being heavily politicised along party lines. An independent Citizens’ Forum was formed in 1997 to lobby for the complete separation of military and civilian power and remained active tracking political issues (Boussard 2003:77). In 1999 the national association of municipal mayors (AMHON) was established giving a boost to decentralisation processes (Cuesta 2003:21), but transfers to municipalities were still not assigned. Another important civil society organisation emerged from the heart of one of the traditional elite civil society groups in Honduras, the professional association for economists. A breakaway group founded the Honduran national debt platform (FOSDEH), which offered alternative analyses of national debt statistics from the mid 1990s and used them to lobbying for debt cancellation at national and international levels (Seppänen 2003:50). Hurricane Mitch in October 1998 was one of the largest tropical storms ever recorded, and it lingered over Honduras for a week wreaking havoc. Over 10,000 people died and the entire productive infrastructure of the country was wiped out, destroying roads and bridges, paralysing communications and leaving communities isolated for months. The disaster played a catalytic role in transforming the capacity, attitudes and roles of local development organisations and NGOs, since these groups were forced to organise to deal with the devastation (Bradshaw et al. 2002:2). The effects of the storm also prompted a new openness on the part of party elites to participation of these civil society actors. Donors played an important role under the Stockholm process designed to coordinate the aid response. Emergency aid to respond to the disaster was given to the state conditioned on the production of a National Plan for Reconstruction and Transformation (PMRTN). The Stockholm process provided a friendly environment for civil society.
participation, boosted by sudden inflows of donor support for the reconstruction effort (Cuesta 2007:337).

A heavy donor presence in Nicaragua throughout the 1990s meant that there were many state-led plans and processes that had involved some measure of consultation or participation, but few were linked to budget and resource allocations. Upon assuming power in 1996 President Arnaldo Alemán had been overtly hostile towards NGOs and restricted space for civil society. A national dialogue of sorts took place in 1997, but little came out of the process (IEO 2004:17, Guimaraes and Avendaño 2003:23). Problematic compliance with the conditions of a second IMF agreement signed in 1997, and the impact of Hurricane Mitch in 1998 renewed the attention of donors on Nicaragua. Alemán’s government came under greater scrutiny and there was increased pressure for civil society participation in the response to the disaster (Dye and Close 2004:129, Martí i Puig 2004:156, Ruckert 2007:104). In response, a consultative body on national social and economic planning was established by Presidential decree in 1999 called CONPES, designed to include Ministers as well as NGO representatives who would provide advice for the President. CONPES came into operation to support the reconstruction effort post-Mitch and became the key intermediary for civil society participation (Bradshaw et al. 2002:15). The CCER enjoyed generous support from European donors and private aid flows, since participation was viewed as a way for NGOs to acquire greater political strength in a polarised context (IEO 2003a:13).

In sum, aid relations were significant in shaping the content of policy, institutional arrangements, allocation of resources and in developing new spaces for state-society interaction in the 1990s. Processes for reforming social policy, implementing decentralisation and opening spaces for participation were particularly influenced by donors. Aid gave a privileged position to technocratic elites within the state and to an array of civil society organisations, especially NGOs, involved in
implementing donor projects and programmes at local and national levels. The impact of these processes was inhibited by poor coordination and coherence among donor interventions, but also by political resistance to change and corruption of new process by traditional political dynamics. The influence of aid reached a zenith with the inclusion of these countries in HIPC II in 1999. In particular, Hurricane Mitch and the aid response brought about a new openness to participation in Honduras and Nicaragua. The promise of national level participation to overcome political polarisation and to generate consensus on how to resolve external debt and persistent poverty in a sustainable way was shared by a group of donors, technocrats and civil society from the outset. This contrasts sharply with the cynicism of civil society towards national-level participation following the 1997 National Dialogue in Bolivia. Yet rather than turning away from this type of process altogether, civil society, and especially the Catholic Church, lobbied donors and government to facilitate a more open and meaningful form of participation in the context of the second HIPC initiative (Eyben 2003:18). These elements constituted the political environment for participation immediately prior to the introduction of the PRS approach in 1999.

5.5 Conclusions

This chapter has discussed in detail the history and evolution of the state and civil society in Bolivia, Honduras and Nicaragua since independence in the context of changing international conditions. The trajectory of politics and development in these three cases offers an insight into the difficulties of overcoming the marks of dependency as a result of path dependencies in the state, even while allowing for revolutionary change led by new social forces. The state in these cases was rife with institutional legacies and practices that undermined the capacity of the state to overcome political divisions and formulate and implement national development strategies.
Nascent elements of civil society were important for setting the context for revolution and reformism, yet the limits to revolutionary change were defined by the failure of urban and rural forces to form lasting alliances, the instrumentalisation of these divides by traditional elites and military rulers, as well as in the pervasive influence of the United States in the context of the Cold War. The form and mode of democratisation was heavily influenced by external factors, and resulted in elite-led transitions in each case.

Democratisation was accompanied by neoliberal reform, which had considerable political impact by privileging certain groups within society, by reorienting the role of the state vis-à-vis the economy and social policy, and by affecting the nature and role of civil society in politics. But the politics of change meant that neoliberal reform was not fully implemented within the state: institutional legacies from the authoritarian era persisted, electoral dynamics undermined consolidation and the agenda was also contested by old and new actors in civil society. By 1999 the performance of democracy and neoliberalism was modest in terms of growth, and weak in terms of social outcomes. Political participation was concentrated among elites at national level, while growing social participation at local level was disconnected from national agendas. Meanwhile, aid gave a privileged position to technocratic elites within the state and to an array of civil society organisations, especially NGOs, involved in implementing donor projects and programmes at local and national levels. Processes for reforming social policy, implementing decentralisation and opening spaces for participation were heavily influenced by donors, but the impact was inhibited by poor coordination among donors themselves, as well as by more general political resistance to change under the neoliberal agenda.

The influence of aid peaked with the inclusion of these countries in HIPC II in 1999. The promise of national level participation to overcome pervasive political polarisation and to generate consensus
on how to resolve external debt and reduce poverty in a sustainable way was shared by a group of donors, technocrats and civil society actors from the outset in each case. But the broader contests within the state, civil society and state-society relations, determined the context in each case in which the PRS attempted to generate means of bringing social issues to the mainstream of public policy, and to integrate bottom-up participation into the process. The following chapters draw from this analysis and set out the PRS experience and its relevance for the state and for civil society in turn.
Chapter Six:
The State and the Poverty Reduction Strategy Processes 1999-2006

6.1 Introduction

This chapter applies the analytical framework to the experience of the state in the PRS process in the three case study countries. In relation to the state, the PRS approach had aims that related to creating national ownership and political will around the strategies, to creating a focus on poverty in national public policies, to strengthening the capacity of the state to plan, produce and implement strategies, and to the introduction of new ways for the state to facilitate participation in these processes. Considering these aims, this chapter assesses the impact of the PRS on the state with reference to the role of the state vis-à-vis poverty reduction and participation, the capacity of the state to design and deliver poverty reduction policies, and the capacity of the state to sustain and implement the final PRS following the trajectory of the process from 1999 until its ‘death’ in all three cases by 2007. These issues are traced over the distinct phases of the PRS process beginning with the design of interim strategies, the facilitation of participation, the elaboration of the final strategies, and onto the elaboration of ‘second generation’ strategies and the institutionalisation of participation.

The next section synthesises the existing literature on the experience of the PRS approach in Bolivia, Honduras and Nicaragua with a focus on the state, and assesses the impact of the process on the role and capacity of the state to design and implement policies for poverty reduction over the distinct phases of the PRS process in each case. In the following section, the role and impact of donors on different stages of the process are assessed, and donor-centred explanations
for outcomes in these three cases are examined. The relevance of these explanations for the case study countries is assessed by considering how the PRS process changed or consolidated the role of the state and its capacity, and by considering the dynamics of aid conditionality. The following section examines the interaction of the PRS process with politics by identifying the limits of donor influence. The nature of state engagement with the process is analysed with reference to the autonomy of the state and the capacity to design and implement poverty reduction policies. Political obstacles to a poverty agenda, institutional reform and participation are examined in each case with reference to the dynamics of political party competition, civil society engagement with the process and underlying features of clientelism and corruption. Particular attention is given to assessing the importance of parallel policy negotiations and conflicts with civil society, in order to assess the relevance of the PRS for the state, and what the experience reveals. The final section summarises the argument and draws conclusions about the impact of the PRS approach on the role and capacity of the state in poverty reduction.

6.2 The PRS process: the role of the state

PRS processes followed a general timetable dictated by the requirements of the HIPC II timetable for debt relief. After qualifying for the initiative and reaching ‘entry point’, an interim Poverty Reduction Strategy had to be produced and approved by the World Bank and the IMF in order to reach HIPC II decision point and to access interim debt relief (Vos et al. 2003:23). Then, a full national strategy was required, along with other IMF conditions, in order to reach HIPC II Completion Point and access full debt relief for financing the strategy. At the time of launching the HIPC II initiative the World Bank was still in the process of compiling the PRS Sourcebook, a guide to best practice in implementing the PRS approach and developing a national PRS (Klugman 2002). Starting
with the initial context of aid relations in each case, the rest of this section considers the role and capacity of the state in distinct phases of the PRS process including the design of interim strategies, the facilitation of participation, the elaboration of the first PRS, moves towards ‘second generation’ strategies and the institutionalisation of participation.

Background to the PRS processes

The context of the launch of the PRS process in each case was influenced by the nature of aid relations in the previous decade and the immediate context of aid and debt relations that preceded HIPC II. Bolivia was the only non-African country to have qualified for the first HIPC initiative in 1996. The outcomes of the 1997 National Dialogue had been presented at a Paris Club meeting, indicating a general plan for the use of resources, but the debt relief was used to cover the growing fiscal deficit in 1998 (Escobar de Pabon 2002:8-9). Bolivia was also among the first countries to be included in the HIPC II initiative, and was one of the first countries to embark on a PRS process in 1999 (Booth and Piron 2004:17). Honduras did not satisfy all of the HIPC II criteria, as the ratio of debt service to exports was below the range established. But the scale of the devastation caused as a result of Hurricane Mitch led bilateral donors to lobby for the relaxation of this criterion (Seppänen 2003:37-8). The government was devising the PMRTN to coordinate the aid response to Hurricane Mitch, and it was envisaged that the PRS approach would build on this process. High levels of external debt and debt service meant that Nicaragua did satisfy all of the HIPC II criteria, but relations between President Alemán and the IMF were strained, and negotiations for an agreement were on the verge of collapse. But the reconstruction efforts after Hurricane Mitch offered new resources for reconstruction, and Alemán seized on the opportunity of accessing debt relief under HIPC II (Marti i Puig 2004:157). For donors involved in the Stockholm process, which coordinated the donor...
response to Hurricane Mitch, the PRS was viewed as an opportunity for improving aid relations and political governance at the same time.

The Interim Strategy phase

The role of the state in the PRS approach in these cases drew on the technocratic tradition established as part of the neoliberal reforms of the 1980s and 1990s. Technical planning units or internal ‘think tanks’ had been created near the centre of the government staffed with technocrats that worked closely with the IMF and the World Bank and liaised with other donors. These units assumed a central role in the PRS process, representing the ‘government’ and the ‘state’ throughout. In Bolivia the Unidad de Análisis de Políticas Economicas (UDAPE) – the national economic planning unit – was situated in the Ministry of the Presidency (Nickson 2005:399). Similarly in Honduras the Unidad Nacional de Apoyo Tecnico (UNAT) – the national technical unit – was part of the President’s Office. In Nicaragua, the national technical secretariat SETEC, responsible for drafting policies, was based in the President’s office and was heavily supported by the World Bank, the IMF and the IDB.

According to a former member (Pineda Jan 2009):

[SETEC] had an extremely high level of capacity, much of it loaned to the government by the IMF in order to develop a highly skilled technical team. The World Bank from 1999 assumed that this team would use the PRS as the main reference point for aid relations, and the rest of the donors followed suit adopting this framework.

Within the units there was enthusiasm for the PRS process as a means of developing a national project, and for improving overall planning and coordination of aid (Guimaraes and Avendaño 2003:25). These efforts continued to be heavily influenced and circumscribed by donors, and by the technocratic approaches to policy-making that had dominated in the 1990s.

Bolivia was a pioneer in implementing the evolving international framework for debt and aid in the poorest countries, and to a certain extent the experience there informed the emerging PRS blueprint (Komives et al. 2003:21). UDAPE considered opening up the entire
PRS process to discussion with civil society, but on the advice of the World Bank, leadership of the process remained with UDAPE. The interim strategy was drawn up behind closed doors, based on existing poverty data, some of the output from the 1997 dialogue, and World Bank input. It was submitted directly to the directors of the World Bank and the IMF in late 1999 and was only made public when it was approved in February 2000 (Komives et al. 2003:24). In Honduras, the Flores government gave UNAT the responsibility for developing the PRS and the process was intended to strengthen national planning in the aftermath of Hurricane Mitch. The PRS process was viewed as a complementary process for strengthening the way the PMRTN dealt with poverty and vulnerability, as described by a former member (Raudales Jan 2009):

The PMRTN can be seen as an important precursor of the PRS because it aimed to be a national plan and a national project. The first step was the production of data on poverty and Brazilian consultants were commissioned to produce a diagnostic report. UNAT used this report as the basis for drafting an interim strategy in English, which was sent straight to Washington for consideration by the boards of the World Bank and the IMF in April 2000, but was never made public. The interim strategy was approved and Honduras reached HIPC II decision point in July 2000. In Nicaragua, according to a former member of SETEC, HIPC II and the PRS process represented a landmark in consolidating the capacity of the state (Pineda Jan 2009):

...it was a challenge for the country to be able to take on commitments like HIPC and honour them. Having the political will and capacity to return to the normality of making international commitments was a step towards making Nicaragua a credible and trustworthy country again – it had been outside this for many years! HIPC was the culmination of many steps in this direction.

In contrast to Bolivia and Honduras, SETEC opted to include public consultations with parties and civil society actors at this stage using the recently established National Council for Social and Economic Planning (CONPES) (Guimaraes and Avendaño 2003:26). This made the process longer, and an interim strategy was completed by August
2000. Nicaragua was the last of the three countries to reach HIPC II decision point in December 2000. Overall, all of these interim strategy processes were relatively closed processes between the technical units and the World Bank and the IMF, and did not break with on-going practice in aid relations in these three cases.

**Participation in the PRS process: the role of the state**

Once HIPC II decision point had been reached in each case, the technical units oversaw the elaboration of full national strategies that were to set out how debt relief would be used to reduce poverty, along with other resources from aid flows and national revenues. This involved organising participation to satisfy the requirements of the HIPC II process and the technical drafting of the final strategies. The approach taken to designing and facilitating participation in each case was relatively ‘experimental’, since there were no clear guidelines from the World Bank as to what constituted a satisfactory participatory process (Booth 2005:1). In all three cases, the PRS process was supported by the President, but the presence of the ‘state’ or the ‘government’ in the participatory processes was generally limited to the technical units (Molenaers and Renard 2005:138, Vos et al. 2003:61). Parliaments were explicitly excluded from all three processes, and political parties were marginal to the processes. New spaces for participation therefore had a relatively narrow ‘state’ channel for civil society to interact with the state and influence the content of national policy. Even in Nicaragua the consultations managed by CONPES were ultimately channelled through the technical units. In all cases, expanding participation to new groups was resisted from within government by Ministry officials and senior political party figures, and even by the Presidents. But the promise of debt relief and the presence of international donors gave the technical units some leverage to press ahead with participatory processes, and simultaneously raised the expectations of civil society actors about the outcomes, which are analysed in detail in the next Chapter.
The cynicism generated by the 1997 National Dialogue in Bolivia meant that participation in the PRS was contentious from the outset. In this context, the Vice President Jorge Quiroga, who oversaw the PRS, and UDAPE, agreed to proposals to establish an independent secretariat, funded by donors, to carry out the participatory aspects of the process (Booth and Piron 2004:18-19) in order to mitigate anticipated accusations of politicisation and political control of participation. The secretariat coordinated a bottom-up social consultation which produced a lasting agreement on a formula for determining how HIPC debt relief would be allocated for use by municipal government under the decentralisation framework (Dijkstra 2005:447), and was viewed as a successful process. However, the national roundtable dialogues were not concluded due to political instability in late 2000. In Honduras the design and facilitation of the participatory process was directly controlled by UNAT, with political support from President Flores. Drawing from the interim strategy and the poverty diagnostic report, UNAT produced an initial draft, this time in Spanish, of a full PRS in which served as the basis for the consultative process in 2000 (Cuesta 2003:26). Unlike previous ‘national dialogue’ events which were viewed as vehicles for generating party support, the policy proposals were made public, and there was an overt attempt by UNAT to include actors other than civil society organisations perceived to be aligned to political parties. In the immediate post-Mitch context there was a positive discourse around using aid and debt relief for national transformation, and the participatory process was successfully concluded (Booth et al. 2006:18). In Nicaragua, SETEC continued to facilitate participation in the PRS process through CONPES after the approval of the interim strategy in 2001. In comparison to the processes in Bolivia and Honduras, participation was broad, but rapid and heavily controlled by SETEC (Guimaraes and Avendaño 2003:31). Civil society contested the way participation was handled, but general expectations were raised that
the process would consolidate openness to participation in national policy-making and deliver new policies and resources for poverty reduction. Moreover, historically high levels of external debt made inclusion in HIPC II an issue of general public interest (Marti i Puig 2004:154).

At this juncture, the PRS process retained some promise as a new departure in state-society relations, and for offering new policy solutions for effective poverty reduction. While there were ongoing issues, the participatory processes were initially deemed to be satisfactory efforts in all cases. However, the gaps between the ideas set out in the PRS approach, the interpretation and implementation of these ideas by the technical units in each country, and the expectations of participants in the processes were revealed when the final strategies were produced and approved. The final elaboration of strategies took place within the technical units and was not related to the content of the civil society consultations, and no feedback was offered (Vos et al. 2003:33). In all three cases, this was a deliberate separation, justified on the basis that it was impossible to make good policy on the basis of participatory processes and input that only generated ‘wish-lists’. The content of the final strategies in these three cases corresponded to the general content seen across all HIPC countries, and the strategies suffered from being comprehensive without prioritisations or budgeting to guide implementation (Vos and Cabezas 2004:5-6). Participation had been reduced to an instrument for securing debt relief, while the final strategies reflected donor priorities rather than a national vision (Dijkstra 2005:452, Vos et al. 2003:31), and added further conditions to the cumulative content of neoliberal reform. More importantly, the technical units had not generated support from civil society for the implementation of the strategies.
The limits to ‘ownership’

The Estrategia Boliviana de la Reducción de la Pobreza (EBRP) was rejected by participants both because of its content and the way the process had been handled (Aguirre and Espada 2001:16). In content, the EBRP dealt only with the social aspects of poverty, and left the macroeconomic chapter as given (Escobar de Pabon 2002:11). The strategy offered a good characterisation of the poor, and where they were to be found, but it lacked any treatment of the priorities or trade-offs that would be involved in financing and implementing a poverty reduction strategy (Molenaers and Renard 2005:148, Moser 2002:640). The only elements that were preserved from participatory processes were the agreements made with the municipal representatives around the allocation, distribution and use of HIPC resources. In Honduras, the Estrategia de la Reducción de la Pobreza (ERP) emphasised income poverty and social infrastructure but neglected issues of rural development, employment and inequality that were central to civil society input (Cornally 2004, Cuesta 2007:341). One commentator (Del Cid, Jan 2009) described it thus:

... [the ERP] was a weak strategy and it covered too much. There was little new in terms of the content of projects, mostly it just brought together all the old things in a new container ‘same monkey in a different dress’. Social policy and the means of managing it - even more than its content - remained the same.

Similarly, the Nicaraguan Estrategia de Crecimiento y Erradicación de la Pobreza (ERCERP), did not include alternative proposals or serve as a strategy for guiding policy and implementation. Instead, it was as an overarching organisational matrix of all of the existing interventions in social policy and poverty reduction by government and donors, with some new programmes added in (Guimaraes and Avendaño 2003:55).

Although the strategies fell far short of the aims of the PRS approach, such collective frameworks had never existed before in any case, and the strengthening of the capacity of the technical units to coordinate policies and programmes was viewed as a positive outcome across cases. In addition, the PRS processes had generated unprecedented
public debate and interest in poverty issues. Within the state, this
tension facilitated institutional reforms towards producing better
information about poverty that represented an important
contribution to state capacity in this area (Komives and Dijkstra
2007:53). The technical units benefitted from increased resources
and political pressure from donors for this policy process to be
carried out. While there was limited buy-in to the idea of
participation, there were clear attempts to improve coordination
within government in order to strengthen national policy and to
manage aid relations. But these experiences concurred with general
limitations encountered with the PRS approach worldwide:
discussion of the PRS had been overly limited to a narrow circle
within government (IEO 2003b:3), and there was insufficient
involvement of line ministries beyond social sectors (IMF and World
Bank 2002:39). Instead of moving away from acting as ‘policy
enclaves’ within government (Driscoll and Evans 2005:9), the
isolation of the technical units became more pronounced as the initial
peak of influence waned quickly after the final strategies were
approved.

To move towards HIPC II completion point and access the full flow of
debt relief, governments had to demonstrate how they would
implement the approved PRS and comply with other conditions laid
down by the IMF. These conditions were embodied in the Poverty
Reduction Growth Facilities (PRGF) offered by the IMF to replace
Structural Adjustment Loans (SAL) and the Enhanced Structural
Adjustment Facilities (ESAF) of the 1990s. Bolivia reached
completion point immediately in June 2001, becoming only the
second country after Uganda to reach this point. President Quiroga,
who had earlier replaced the gravely ill Banzer, passed a Law for
National Dialogue in July 2001 formalising the agreed formula for
allocating HIPC II funds to municipalities. This element of the PRS
process was implemented from this point and continued after the
2002 elections. The Law also stipulated that a national dialogue
process should be held every two years, and provided for the establishment of a Mechanism for Social Control (MSC) to enable civil society oversight of HIPC II funds (Morrison and Singer 2007:729-730). But the life of the strategy itself was cut short. Limited ownership within the state meant that the PRS process failed to translate into a political agenda in the electoral period (Booth and Piron 2004:32), and the strategy was not approved by the incoming Sanchez de Lozada government in 2002.

In contrast to Bolivia, where approval of the EBRP and accession to debt relief were almost simultaneous, problems with IMF conditions meant that Honduras did not reach completion point until 2005. UNAT had attempted to pre-empt the impact of political transition in late 2001, organising a series of presentations to political parties and Presidential candidates as a means of securing a commitment to the PRS agenda (Cuesta 2003:31), but the Maduro government rejected the ERP in 2002. In Nicaragua the ERCERP was only finalised at the very end of the Alemán government’s term in office, emerging in the electoral period in late 2001. Since parliament had never been involved in the process, the ERCERP was relatively unknown and never formed part of the electoral agenda (IEO 2003a:26). In these contexts, without resources to implement the strategy, the importance of the strategy beyond aid relations diminished. Furthermore, efforts to ring-fence HIPC II funds and to institutionalise participation were slower to take shape.

‘Second Generation’ PRS processes?
From this point, there was no significant departure in the role and capacity of the state in poverty reduction. Since each of the strategies drew on existing social policies and programmes, and financing modalities such as social funds and decentralisation, there was considerable continuity in social policy, regardless of the stance of new governments towards the PRS process. Initial efforts by the technical units to press for continuity in the overall process were
undermined by changes in personnel, and the lack of political leadership from incoming Presidents. At the same time, the international framework for debt relief and aid was aligned around the PRS approach, so new governments needed to offer donors a national plan that would comply with the requirements of a PRS in terms of content and participation. This led to a move towards the production of second generation strategies. In practice, rather than mainstreaming the poverty focus across all aid and public policy objectives, in all of these second-generation processes the poverty focus became obscured. The mandate of the technical units expanded to incorporate a vast range of aid and public policy objectives in the organisational matrix, re-framed and included under a ‘pro-poor growth’ agenda. Little changed in the content or in the processes for delivering aid and social policy as a result of these revisions to and replacements for the original strategies (Komives and Dijkstra 2007:35-6), but an outline of PRS-type policies could be traced through changes in government from 2002.

The government of President Sanchez de Lozada in Bolivia launched an internal process to revise the EBRP to develop a broader economic and social development plan, but political crisis overshadowed the process and the President was forced from office in late 2003 (Komives et al. 2004:10). Interim President Carlos Mesa authorised a new National Dialogue in 2004 to devise a new national plan, but he had left office before it was finalised in 2005 (de Jong et al. 2006:52). In the end, the EBRP disappeared and no national plan emerged to replace it until the Morales government took power in 2006. In Honduras, incoming President Ricardo Maduro was extremely reluctant to take on the ERP, and attempted to develop a new national plan in 2003. However, Honduras failed to meet the targets set with the IMF and could not secure a new agreement and all aid disbursements and debt relief were suspended until the impasse could be resolved. This led to renewed attention to the ERP from 2004 as a means of currying favour with the IMF (Cuesta 2005:20,
Komives and Dijkstra 2007:32). UNAT continued to play a central role, offering a series of revised versions of the strategy under Maduro, and for the newly elected President Manuel Zelaya from 2006, but the importance of the PRS gradually receded (Hunt 2006, de Jong et al. 2007b:50). There was a clearer shift to a second generation strategy in Nicaragua. President Enrique Bolaños, had served as Alemán’s Vice-President, but he moved quickly moved to dissociate from Alemán and to differentiate his period in government. A pilot project of the original ERCERP was implemented, but the overall strategy was quickly abandoned and a process to create a National Development Plan (PND) was launched. This plan focussed on competitiveness and growth, but had very little to do with poverty reduction (Guimaraes et al. 2004:55-6), even though in-country World Bank staff insisted that it complied with the criteria for a PRS. SETEC played a central role developing and refining the PND over the five years of the Bolaños government. This process facilitated deepening relations between this government and donors, but there was little ownership beyond the Executive, and it was never implemented (Guimaraes and Avendaño 2006:22).

Alongside revised strategies, efforts were made in Bolivia and Honduras to institutionalise participation and to facilitate civil society oversight by ring-fencing HIPC II funds. These attempts were short-lived at national level, although municipal participation continues in Bolivia within the decentralisation framework. In Bolivia, despite political upheaval, with donor support, a civil society committee formed as part of the MSC in 2001 pressed ahead with the design of a new national dialogue in 2003 and 2004 (Morrison and Singer 2007:732). But unlike the official dialogue in 2000 this process was wholly controlled by civil society and there was little direct involvement either from UDAPE or broader government (de Jong et al. 2006:37). There were no new external funds available to finance this strategy, and interim President Carlos Mesa had little capacity to form a political campaign around this agenda in the midst
of ongoing crisis. As a result the output was never converted into policies with resource allocations (Booth et al. 2006:14). In Honduras, the first progress report for the PRS included an operational plan for implementing the ERP and included innovative plans to institutionalise civil society participation in deciding and overseeing the use of debt relief (Cuesta 2005:19). A new Law governing the use of HIPC II funds created a ring-fenced ‘virtual fund’ within the national budget, controlled by a Consultative Council for the ERP (CCERP) comprising civil society representatives alongside Ministers from the Social Cabinet and donor observers. In 2004 and 2005 these processes gained momentum, and became an important focus for aid relations and so contributed to Honduras reaching completion point in April 2005 (Cabezas 2006:24).

However, the independence and credibility of the Consultative Council was rapidly undermined as a result of political conflicts over the use of HIPC II resources between parliament and the new President, Manuel Zelaya, who came to power in 2006 (de Jong et al. 2007b:1-2). Fewer efforts were made in Nicaragua to institutionalise participation, while HIPC II funds were dealt with in conjunction with public financial management processes designed to facilitate General Budget Support (Guimaraes et al. 2004:25-6). President Bolaños continued to recognise CONPES as an intermediary on HIPC issues, but its composition and role were changed. This diluted its influence, leaving it as a Presidential advisory board. Some consultation took place in drawing up the PND, but these processes were not deemed by donors to comply with PRS-type participation (Guimaraes and Avendaño 2003:30, IEO 2003a:26).

The outcomes from the PRS approach

Overall, as a result of the PRS approach the role of the state expanded to include greater spending and responsibility for social and poverty issues, but this did not represent a fundamental overhaul in any of these cases. The impact of the PRS on the content of national policy was minimal: the macroeconomic agreements with the IMF
established the constraints within which poverty reduction could be considered, while growth strategies were developed beyond the PRS in each case. In Bolivia, while debt relief financed social infrastructure at municipal level, lasting solutions for dealing with rural poverty development, especially land policies, were absent. The productive strategy in 2004 incorporated proposals for productive reactivation but were never implemented. The original EBRP had disappeared, and the failure to produce a new or revised strategy meant that the PRS as a policy framework was effectively dead (Komives et al. 2004:8); only the allocation of HIPC II resources to social sector ministries and municipalities remained. In Honduras, access to debt relief was delayed until 2005, and from 2006 HIPC II resources were used primarily to satisfy electoral promises. The funds financed salary increases and current spending in social sectors, with a residual amount distributed to municipalities, in parallel to the nascent decentralisation framework (Dijkstra and Komives 2008:56, de Jong et al. 2007b:22). Deteriorating aid relations between President Zelaya and donors led to a decline in aid; as a result the PRS process was eclipsed and effectively dead by 2007 (de Jong et al. 2007b:50). In the absence of an operational PRS in Nicaragua, aid and HIPC resources were used partly used to cover a fiscal deficit caused by mounting internal debt, and to finance substantial increases in current social spending across modalities inherited from the 1990s (Dijkstra and Komives 2008:54-5). In 2007 the incoming Sandinista President Daniel Ortega abandoned the PND in favour of a new National Human Development Plan, by which point the spirit of the PRS process was truly dead.

The direct impact of the HIPC initiative on poverty was palliative, offering expanded resources to ad hoc social policy. Since the PRS approach did little to enhance the capacity of the state to deliver on poverty outcomes, the increased resources had limited impact. This human capital approach represented continuity with innovations in social policy in the 1990s, but the same concerns about quality and
effectiveness persisted despite the increased allocations (Dijkstra and Komives 2008:58). Some modest gains were recorded towards meeting the Millennium Development Goals in all cases from 2000 to 2007, and some social indicators improved in all cases.

**Figure 6.2.1**

![GDP Growth, % (year on year change)](image)

Adapted from (CEPAL 2010b:c2)

But it is difficult to link these outcomes to the PRS process. Growth recovered in all cases from 2002, which, along with increased aid flows, lead to increases in current social spending. However, without increased capital spending or a reorientation of productive strategies to focus on the poor, this was insufficient to have a meaningful impact on poverty levels (Dijkstra and Komives 2008:60-63).

Poverty data for the period is scant, and major comparative studies of poverty outcomes in this period rely on data national household surveys data, and PRS Progress reports. These surveys took place at different points in time, using different methodologies, but more importantly, the presentation of survey results and PRS progress reports were politicised in the electoral campaigns in Honduras and Nicaragua in 2005 and 2006 respectively. Overall, the following conclusions about poverty outcomes in each case are drawn by the ISS reports: In Bolivia, the capacity of the state to design or
implement policy was in serious decline from 2000 (de Jong et al. 2008a:55), and poverty only began to decline from 2004 when growth recovered (Dijkstra and Komives 2008:62). In Honduras, growth was relatively positive and stable in this period, and remittances increased dramatically from 2000, but poverty levels only began to decline substantially from 2006, and this had little to do with policy performance (de Jong et al. 2008b:60). In Nicaragua, despite positive growth, high remittances and increased aid, poverty actually increased between 2000 and 2007 (Guimaraes and Avendaño 2011:329-30). The continuity of the PRS approach was meaningful primarily for organising aid relations, not for organising public policy processes or overcoming prevailing contradictions in each case.

In sum, the PRS process in each case failed to make a lasting impact on the role of the state in poverty reduction and in facilitating participation, or on the capacity of the state to design and deliver policies for reducing poverty. The PRS process consolidated the role and capacity of the technical units. Technical capacity to measure and assess poverty issues was enhanced, the coordination and management of aid relations was improved, but the PRS process did not overhaul the way in which planning took place within government. Moreover, the technical units remained isolated within government, so ownership was extremely limited. The dichotomy between participation and the elaboration of the PRS strategies undermined the principles of ownership and participation, and truncated the potential of the PRS to transform the role of the state. Participation was treated as an exercise parallel to the business of technical policy-making, and so the technical units alienated civil society participants, and lost their support in advancing the PRS agenda. The content of the final strategies was weak: the treatment of poverty was limited to social aspects, the documents tended to embody ‘wish-lists’ of poverty reduction interventions, inventories of existing projects and programmes, and priorities, budgets and
implementation plans were omitted. With changes in government in each case from 2002, the original strategies were quickly discarded or amended and they were never implemented. Attempts to institutionalise participation, and the development of further consultative processes for new national strategies, continued but were short-lived. Debt relief was channelled to social spending, but did not form part of broader national plans for poverty reduction, and had little impact on poverty in this period. The next section builds on this analysis of the impact of the PRS experience on the state in these cases, setting out the changing role of donors and assessing the impact of donors in determining these outcomes.

6.3 Donors and the state in the PRS process

The PRS emerged from the international frameworks governing aid and debt and was proposed as an alternative, or a supplement, to existing aid and debt frameworks, as set out in detail in Chapter Two. As a result, much of the literature on the PRS processes in different countries was driven by multilateral institutions and bilateral donors keen to understand how the process was working in practice, or by critics of the international aid framework. A range of perspectives has been identified in this literature, which focuses on the agency of donors and their influence on the role and capacity of the state in the PRS process. Technical and reformist perspectives were concerned with improving the role of the state in the PRS approach, while radical approaches highlighted how donors facilitated the expansion and consolidation of a neoliberal hegemony in the state (Lazarus 2008:1214-5).

Donor influences on the PRS processes

Early technical assessments of the PRS process highlighted how pressure from the World Bank to comply with rigid timetables of the HIPC initiative meant that interim strategies were drafted too
quickly, without consultation, as in the Bolivian and Honduran cases, or were too comprehensive and pre-emptive of the final PRS as in the Nicaraguan case (IMF and World Bank 2002:12). Partly as a result of overarching pressures, and the lack of clear guidelines from donors, participatory processes were ad hoc. Disillusionment and the lack of clear outcomes from these processes created participation fatigue, and an opportunity to enhance ownership was lost (IMF and World Bank 2002:25). In general, Joint Staff Assessments of individual country PRS processes applied strict criteria on traditional macroeconomic conditions, while any ‘reasonable’ effort towards including participation was accepted. In practice this reinforced traditional conditionality, and undermined the principles of ownership and participation in practice. The World Bank and the IMF recognised that PRS processes were overly driven by IMF agreements, that the approach added rather than reduced conditionality, and that the final strategies tended to offer a weak treatment of the causes of poverty (IEO 2003a:17, IEO 2003b:7-8). Early ‘reformist’ appraisals of the Latin America experience, such the ISS studies, voiced these concerns more emphatically, emphasising how the need to secure approval from the boards of the IMF and the World Bank reinforced the over-arching presence of macroeconomic stabilisation programmes as the fundamental pre-condition for aid and debt relief in the PRS approach (Vos et al. 2003:27, Vos and Cabezas 2004:10).

An examination of the trajectory of the PRS processes in these three cases corroborates how donors, led by the World Bank and the IMF, reinforced the mechanics of influence through conditionality and technical assistance, and stamped the PRS as an externally-led process from the outset. In Bolivia and Honduras, the interim strategies were drawn up by the technical units and were sent straight to Washington as part of ongoing negotiations to secure agreements with the IMF (Dijkstra 2005:447, Seppänen 2003:12). Aid relations with Nicaragua were strained which delayed the PRS
process in 2000. But with support from the IMF, SETEC developed an interim strategy. Some input from civil society was included at this stage in the process, although the final version primarily reflected donor priorities (Dijkstra 2005:449, Guimaraes and Avendaño 2003:6). These priorities continued to dominate in the final strategies, despite extensive consultations with civil society. In its ambitious aims, the PRS approach called for a multi-dimensional approach to poverty, in order to tackle causes, but in these cases a conservative approach was taken. None of these three PRS processes produced a strategy that questioned the legacy or continuation of the structural adjustment framework (Vos and Cabezas 2004:25). The focus of all three strategies was primarily on satisfying basic needs, with geographical targeting and providing social infrastructure to improve health and education, and so poverty continued to be treated as a residual social policy issue. The treatment of poverty relied heavily on existing work of the World Bank and the UNDP, and failed to take into account much of the input generated in the participatory phase (Vos et al. 2003:38-40). Alternative analyses of the causes of poverty and policy proposals for dealing with structural issues submitted by civil society actors were omitted, while macroeconomic details were beyond the scope of discussions.

The linkage of individual country strategies with a set of international objectives, the MDGs in 2002, set a normative benchmark that reinforced the PRS approach internationally. At national level however, their inclusion as the overall objectives of the PRS process, right at the end of the elaboration processes, contributed to incoherence and inconsistencies in the final strategies. The operational plans linking the areas and pillars of the strategies to the MDGs were weak and lacked prioritisations, costings or budgets for meeting these goals by 2015. The final strategies served as list of actions or an umbrella for poverty reduction interventions (Vos et al. 2003:43-45), and were most useful for organising donor relations. Important structural issues relating to poverty, such as land tenure,
agricultural policy and rural development were absent, and connections to ongoing programmes in these areas were weak (Kay 2011:253). These issues had been raised in participatory processes in each case, but were ignored in the drafting processes. Arguments were made that the poor technical quality of civil society proposals precluded their inclusion, since much of the input amounted to ‘wish-lists’. However, in Bolivia and Nicaragua, comprehensive policy proposals for dealing with poverty were developed by civil society and had been formally presented to the technical units before the final strategies were elaborated (Booth and Piron 2004:18, Guimaraes and Avendaño 2003:43). Meanwhile, donors had considerable access to the drafting process and had input into the final content of the strategies in each case. This gave credence to the accusation that participation served as ‘theatre’ to satisfy donors (Lazarus 2008:1207, Trócaire 2004), while donor influence on the content of final strategies meant that ownership was in fact ‘donorship’ (Stewart and Wang 2003:23, Oxfam 2004:8).

A technical approach to the PRS process
At the same time, some donors had invested considerable resources in strengthening the capacity of the state to facilitate participation in the PRS elaboration process, and endeavoured to influence how participation evolved. The technical units – UDAPE, UNAT and SETEC were the key state actor involved in facilitating participation in each case. Donors gave considerable advice and support to the units to develop effective process. For example, in Bolivia, UNDP coordinated donor support from a pooled fund financed by DFID, CIDA, the IDB and the World Bank. This fund was channelled through UDAPE to finance the activities of a technical secretariat formed by UDAPE to carry out participation (Steinberg and Cavassini 2005:23-4). These donors also seconded Bolivian professionals to work in the secretariat as well as giving extensive direct support to civil society organisations to prepare for and to attend participatory events. UNDP and DFID were also prominent in Honduras and
Nicaragua by advising UNAT and SETEC on how to carry out participation, by funding the consultative events, as well as by supporting civil society participation directly (IEO 2003a:37). Donors also directly intervened at key points to influence how governments dealt with participation. For example, in Bolivia, donors were concerned that President Banzer would resist or undermine participation. The formation of a technical secretariat emerged as part of a strategy by donors to overcome political resistance, and Banzer was forced to accept it (Eyben 2003:16). Other donors, such as GTZ, emphasised local level consultation using the decentralisation framework in Bolivia (Eyben 2003:23, Lobb 2005), and similar approaches were encouraged in Honduras and Nicaragua. The nuances of the impact of donor influence on participation will be dealt with in the next Chapter. However, by offering resources and influencing the design of participatory processes, donors played a significant part in raising the expectations of civil society, and fuelled the resulting disillusionment and backlash. In this respect, donors failed to reinforce relationships between national actors in the state and those in civil society who were committed to improving the impact of aid and to modernising the state. As a result, instead of strengthening the prospects for the PRS to deliver national ownership, participation may have exacerbated the isolation of the technical units championing the agenda within government (Stewart and Wang 2003:27).

Moreover, donors supported the technical approach to the drafting of the final strategies, and condoned the separation of this phase from the participatory process, facilitating what has been described as the ‘original sin’ in the design of the PRS that tainted the future of the approach in these cases (Vos and Cabezas 2004:8). The PRS approach had emerged from a growing recognition that the state should play a bigger role in development processes (Eberlei 2007:15). In practice, the role of the state in the PRS approach was dominated by World Bank concerns with ‘good governance’, with an emphasis
on rules, procedures and standards in specific institutions (Fritz and Rocha Menocal 2007:537). To deliver this donors, especially the World Bank, privileged the centrality of the technical units in the PRS process, and so determined a centralised, technical, apolitical approach to the drafting of the final PRS (Oxfam 2004:7). This reflected and consolidated the prevailing philosophy of the neoliberal era that politics was to be avoided, overcome or bypassed, to allow the state to formulate better technical policy solutions to facilitate economic growth and poverty reduction (Gould and Ojanen 2003:94). By keeping the PRS removed from politicised channels of policy-making, the state-sponsors of the process were isolated from other actors in the state, and even avoided having to engage with the politics of different Ministries by hiring experts or consultants to give input. While it allowed for an efficient technical drafting process, the technical units remained isolated enclaves within government (Driscoll and Evans 2005:10).

In the Bolivian case, one interviewee linked the limited impact of the PRS process with the weakness of a technical process as a tool for reforming policy or institutional practices (Gómez, Oct 2009):

[UDAPE] was very close to the President, they didn’t get political, they had a very technical focus. The idea was that the problem with poverty and social policy was an efficiency one, there was no talk of linking social policy with employment – they got close to this but there was no real coordination. Conceptually the EBRP was a multi-sectoral programme but it did not guide policies, Ministries continued doing what they had always done; now they just received more money.

Another interviewee (Pérez, Oct 2009) reiterated this perspective, emphasising that concentrating responsibility in the technical unit led to the omission of an operational plan for implementing the strategy:

PRS remained in UDAPE in the technical teams with all the risks this represents. UDAPE has a lot of technical capacity but not so much at operative levels in terms of budgets and plans which are needed, and the PRS reflects this to a certain extent. It was a very good diagnostic and identified a critical route for accelerating public investment but the whole operational part was missing. How to implement the strategy remained unclear. Why was it not there? Probably because the process was dominated by UDAPE and Juan
Carlos Requena, ideally it should have been the Ministries and implementing agencies involved.

In Honduras, the role of UNAT in developing the ERP was actively resisted within government, suggesting that there were limits to creating ownership using a technical approach without political leadership (Del Cid January 2009):

The concept of ‘ownership’ is doubtful in Honduras because much of the discourse that comes from donors is accepted very readily, but it is a dubious acceptance, because it is a way of securing resources. But in the end there is no ownership of the content…. Ownership is not enough, there is no real enthusiasm for change, only among the technical officials who are close to the money and the intellectuals around them. They continue to live the old life.

In Nicaragua, SETEC focussed on carrying out a technical exercise to strengthen the coordination of policies, but concurrently sought to ensure that the PRS process was insulated from other political processes (Pineda Jan 2006)

The administrative and political reform agendas are totally separate and parallel. ERCERP belonged to public administration and the role of public institutions; but the focus of these reforms was not within the institutions of democracy. The [political] pacts were a parallel process to the ERCERP – and neither process was involved with the other, and a great effort was made to keep these things separate so they would not be ‘contaminated’. This means that politics is dissociated from policy-making and this has been a constant [in neoliberal reforms] from 1990 to date.

As a result the EBRP, ERP and ERCERP were ultimately technocratic exercises that satisfied donors, with little links to current political issues (Dijkstra and Komives 2011:196). The effect was that after the introduction of the PRS approach, instead of donors telling governments what to do, governments now told donors what they wanted to hear (Sumner 2006:1407), but the prospects for broader political buy-in from actors remained as remote as before.

Meanwhile, the isolation of the technical units was also reinforced by other donor practices. Instead of decreasing policy conditionality, the PRS approach generated more process conditionalities, and the growth in responsibilities outpaced the institutional capacity to deal with them in these three cases (Vos et al. 2003:49). Large aid flows accruing directly to Ministries and implementing agencies continued
as usual, fragmenting the state, reinforcing the disincentives to buy into the PRS approach, and undermining ownership (Driscoll and Evans 2005:10).

**Donor coordination and incoherence**

In the context of the aid effectiveness agenda much had been made of how donors were reducing the number of demands made on governments by working together. A range of technical processes were modified to facilitate greater government leadership of aid processes and to reduce the administrative burden on countries. In particular, all donors attempted to align programmes and projects around the PRS processes. But the PRS was led by the World Bank with considerable input from the UNDP, and Northern European donors. Other important donors such as Italy and Canada subscribed to the technical agendas of coordination and alignment, but were less interested in the PRS approach per se. Meanwhile, three important large bilateral donors, the United States, Japan, and Spain, were relatively disinterested in the PRS and continued to implement their own agendas while paying lip-service to PRS processes (Dijkstra and Komives 2011:192). Even within the PRS-friendly group, interpretations and responses to the PRS approach were not homogeneous, and even within agencies there were some contradictions. For example, while expressing concerns that civil society input had not been sufficiently incorporated into the strategies, agencies continued to approve the final strategies once they had been approved by the boards of the World Bank and the IMF (Dijkstra 2005:448).

From 2002 changes in government led to the abandonment of the original strategies by the new leaders of government in each case. The technical units were supported by donors to provide some continuity, but without political leaders to champion the agenda within government, and with fractious relations with civil society activists, the limits of ownership and of participation were revealed. Continuity
was primarily provided by donor efforts, working through the technical units, to improve the PRS process and rectify some of the perceived failings in these cases. The second generation strategies offered an opportunity to incorporate a broader set of aid objectives in the process, and to involve less enthusiastic donors more directly. The Multi-Lateral Debt Relief initiative of 2005 expanded HIPC initiative to include debts owing to the World Bank and IMF, increasing the resources available to second generation PRS processes. But these impetuses served primarily to further integrate all donor activities into a single operational matrix, and offered no impetus for broadening the scope for institutional reform. In Bolivia, the proposed revision of the EBRP aimed to improve the original strategy, integrating industrial and productive policies for promoting economic growth (Dijkstra 2005:454). A final plan was never approved, yet aid disbursements continued, highlighting the minimal need for a PRS for donors to carry on as before (de Jong et al. 2007a:18-19). In Honduras, the IDB took an active role in drafting a revised ‘operational’ ERP, expanding it to include a growth chapter (Hunt 2004a:7-8). Further inputs were later included from the Millennium Challenge Corporation (Hunt 2004c:7-9). The IDB was also heavily involved in the development of the cluster methodology behind the PND developed by President Bolaños from 2002 (Hunt and Rodriguez 2004:7), but the plans were never implemented.

Differences of interpretation and commitment among donor agencies revealed and contributed to contradictions in the application of the principles of ownership and participation. As the convergence around the PRS at national level waned, donors reverted to the fragmented approach that had dominated in the 1990s (Driscoll and Evans 2005:14-15). Growing fatigue and disillusionment with the PRS approach by all actors prompted more pragmatic, less ambitious, and less coordinated actions by donors. Alongside the second generation processes donors promoted efforts to institutionalise participation, by strengthening systems for access of information and pressing for
legislative changes to facilitate civil society oversight of the use of HIPC II funds. But individual donors were reluctant to sanction governments for the lack of participation in the second generation strategies, and were quick to accept government arguments that participation was inopportune (Komives and Dijkstra 2007:37). In the context of pronounced political instability in Bolivia donors were inconsistent in their approach with interim governments between 2003 and 2006. In Honduras, donors reacted differently to the weaknesses of the incoming Zelaya government, and some donors left altogether. Donors supported the honest, technocratic, but powerless Bolaños government (Booth et al. 2006:8, Guimaraes and Avendano 2006:3) until replaced in 2007 by Sandinista President Daniel Ortega, when many donors began to leave. The implementation of the broader neoliberal agenda, and the elements specific to the PRS approach, continued to be fraught with the same difficulties experienced in the 1980s and 1990s, and, as highlighted in the previous section, the impact on poverty in these cases was minimal.

Donors and a ‘neoliberal hegemony’?
For donors, the PRS ‘experiment’ in these Latin American countries did not serve as a tool for a stronger state role in development processes, or for delivering aid effectiveness (Booth 2005:10). But donors clearly affected the type of role the state assumed in the PRS, by influencing the adoption of an apolitical, technical approach. As set out above, there was ample evidence in these three cases to support the view that the PRS approach served to expand and consolidate a neoliberal hegemony (Ruckert 2007:107-9), to further depoliticise and deepen technocratic policy-making (Seppänen 2003:60-1), and to let external actors occupy national political space (UNRISD 2010:287-90). The overall impact of the PRS approach consolidated the trend towards the ‘projectization’ of national policy and the fragmentation of the central state, resulting in social policies that were disembedded from a national project (Mkandawire
But this evidence is not sufficient to offer a convincing account that donors, as the agents of neoliberal hegemony, got it all their own way. For a start, donors undermined the PRS approach by interpreting and applying the principles of ownership and participation in an inconsistent, ad hoc and uncoordinated manner. The growing attention to donor coordination in aid processes belied continued divisions among donors over aid policy, and how to provide the best incentives for country governments to fully engage with reform agendas and to assume the associated responsibilities. This was exacerbated in the Latin American cases as a result of a large presence of donors that were less enthusiastic about the PRS approach (Dijkstra and Komives 2011:192). The PRS revealed more clearly for donors the weakness of the state in each case, but there is little consensus in the literature over whether this was due to underlying factors, failures of reform, naivety in the PRS approach, weak donor coordination or problems with the neoliberal approach altogether.

More importantly, these points highlight the limits to donor influence in each of these cases. Even the most critical interpretations of the PRS approach in highly aid dependent contexts acknowledge that the direct influence of donors tended to be limited to the role of the state in policy-making (Craig and Porter 2003:61-2, Gould and Ojanen 2003:92). In the Latin American cases, relatively little inroads were made into building the capacity of the state to implement policy, even in the highly aid dependent cases of Bolivia and Nicaragua. Some political leaders and powerful technocrats seized on the opportunity of the PRS to draw up better policy and planning instruments for public investment, as a means of overcoming internal barriers to reform. The problem was that beyond this group, there was little interest in the part of politicians or civil servants in the process (Booth et al. 2006:8). Resources allocated to municipalities had some

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2 While Figure 6.3.1 indicates lower aid dependence in the case of Honduras, the impact of Hurricane Mitch facilitated proportionate leverage for donors in the initial years of the PRS process.
impact in strengthening decentralisation in Bolivia, but little changed at national level in any case.

**Figure 6.3.1**

Adapted from (OECD 2011)

**Figure 6.3.2**

Adapted from (World Bank 2010)

Critically, the influence that donors did have on the role of the state in the PRS processes had political effects. Promoting a technical approach wasted an opportunity for political engagement, and this may even have distracted donors, and other actors, away from shifting political dynamics (de Jong et al. 2006:53). The World Bank and the IMF admitted as much stating that:
The PRS approach is not a panacea; it cannot compensate for
generalized policy failures, poor governance, or broad institutional
lapses. (World Bank and IMF 2005:66)

This, the ISS studies concluded, stemmed from the fundamental
difference between the agenda of officials in donor agencies, and civil
servants in developing country governments:

... there has also been a clash between two mindsets: that of donors
with an emphasis on scientific, comprehensive and long-term
planning; and the national mindset of formulating short-term
political priorities and trying to achieve them with the political and
economic alliances that are available.

In countries with a certain level of democracy, like those of Latin
America, efforts to reduce poverty are political issues that must be
negotiated in order to reach difficult commitments (Dijkstra and
Komives 2008:68)

By paying minimal attention to the underlying context, and being
naïve about politics, the PRS approach failed to promote the
‘routinisation’ of democratic politics in policy-making and
implementation for poverty reduction (Gould and Ojanen 2003:115),
and had unanticipated political effects that were harmful (Dijkstra
2005:461-2). The potential impact of the PRS approach on either
catalysing or undermining ongoing institutional reforms was
influenced by donors, but outcomes were ultimately determined by
political factors beyond the control of donors (Lazarus 2008:1215).

In sum, donors determined the role of the state in the PRS process,
but there were limits to donor influence, and unintended political
consequences. Donor actions explain the initial outcomes of the
process, and reveal the naivety and ambiguity in the implicit theory
of change behind the PRS approach. Overall, donors reinforced a
technocratic, apolitical approach to policy-making and participation.
Instead of strengthening the role of technical units within the
government and reinforcing a nascent relationship between the state
and a sector of civil society, donor influence in the elaboration of the
strategies further undermined the potential of the technical units to
deliver on the PRS agenda. After 2002, convergence around the PRS
agenda waned and donor responses to second generation strategies
and participation were more ad hoc, revealing and contributing to further contradictions in the principles of ownership and participation in practice. This also revealed the limits to donor influence on the state, highlighting how the PRS process interacted with underlying and evolving political dynamics. The next section investigates the broader political context to identify the limits of donor influence as well as the political impact of the PRS process, in order to reveal the key features of the state in this period.

6.4 Politics and the state in the era of Poverty Reduction Strategies

In the PRS process, the role of the state expanded to include a greater responsibility for social policy issues, but did not overhaul the prevailing economic model. Problems with the application of the principles of ownership and participation, as well as inconsistencies in donor interpretations, contributed to weak outcomes in terms of the capacity of the state to deliver on the poverty reduction agenda. Although donors were unable to impose their vision completely, the PRS process represented a new departure within a much longer process of reform of the state, and had political effects. The implementation of the PRS approach was contested as a result of elite ambivalence and institutional resistance to reform, limiting its reach and viability as a tool for enhancing state capacity in these contexts.

The impact of neoliberalism in the 1990s on the state was profound, but not absolute, as set out in detail in Chapter 5. This section seeks to build on that analysis and to examine how the PRS process interacted with the broader context of political dynamics, and what it reveals about the state, in the period from 2000 to 2006 in these cases.
Competing policy agendas
The PRS approach belonged to the prevailing neoliberal order in the region, and the international political economy of debt and aid for the poorest developing countries. But it was not the only major international public policy process implemented in these countries between 1999 and 2006, and in these cases was not the most important (Driscoll and Evans 2005:18). The role of the United States in influencing and dominating economic policy remained important. Trade agreements and security issues were not mediated by the international financial institutions, illustrating that donor agencies and aid policy were not the only agents and instruments of a neoliberal hegemony in these cases. From the early 1980s, the eradication of coca production in Bolivia had been an important bargaining chip in trade negotiations with the United States. Although there were regional opportunities with large neighbours, Bolivia still relied on the United States for investment and trade concessions to maintain export growth. In Central America, the diversification of the export sectors in Honduras and Nicaragua in the 1990s to include ‘maquilas’ textile and food processing factories in designated export processing zones changed the structure of production. But trade was overwhelmingly dominated by relations with the United States, and this was formalised in steps towards the Free Trade Agreement of the Americas in the 1990s. When the prospects of a regional agreement collapsed, negotiations for the Central American Free Trade Agreement began in 2000. Further international investment in a regional infrastructure through the Plan Puebla Panama project led by the IDB was also significant from 2001, but remained separate from the PRS processes in Honduras and Nicaragua.

The international political economy of trade and investment in the region circumscribed the development opportunities for these countries in this period, and helped to shape the incentives for elite bargaining in each case. In Bolivia, there were further challenges, as
the coherence of the elite project was undermined by changing external factors, economic crisis and social mobilisation and political unrest. President Banzer established a new phase in the Drugs War in Bolivia from 1998 with the introduction of the ‘zero coca’ policies, in exchange for trade concessions from the United States. But the impact of this policy, combined with a growing backlash to the cumulative content of neoliberal reforms, peaking in the ‘Water War’ over privatisation in Cochabamba in 2000 (Hylton and Thomson 2007:101-2), undermined the capacity of the government to develop new policies. In contrast, modest growth and the negotiation of trade agreements and investment in infrastructure consolidated the economic and political position of business interests in national public policy-making in Honduras (Cuesta 2005:10-11, Guimaraes et al. 2004:16). Negotiations involved the national business leaders' council COHEP, Chambers of Commerce and representatives from the Ministries of Trade, Investment and Infrastructure. In Nicaragua, in spite of the divisions caused among business elites by the corrupt activities of President Alemán, negotiations proceeded around trade and investment and were relatively immune to other political conflicts. Activities around the trade and investment agendas in both cases demonstrated that there was political will – and a degree of capacity in the state – to develop these kinds of policies. The negotiation of trade agreements in each case involved a closed elite group of officials in trade ministries, business leaders and associations, with support from key donors including the IDB and the United States.

State capture and fragmentation
This limited policy agenda, which involved only a small group of political and economic leaders, fell far short of representing a developmental approach to policy-making. More importantly, the autonomy of the state to act beyond the interests of these groups was compromised by existing clientelist practices. Alongside negotiating trade agreements, these political elites in the state controlled the
granting of concessions to foreign companies in sectors such as extractive mining, forestry, banking and telecommunications, and in the privatisation of state-owned enterprises and public utilities. Clientelism and corruption in all cases led to a degree of state capture by business elites and by powerful patronage networks linked to political parties (Booth et al. 2006:7-8). This helps to explain why political parties failed to develop and deliver clear policy agendas in this period, and how business interests dominated development policy and the role of the state in the economy, overriding the importance of the PRS. These dynamics meant the treatment of poverty in the final PRS documents was highly conservative and did not tackle the fundamental trade-offs inherent in the neoliberal model. There was little or no attention to structural causes of poverty that might interfere with elite interests: in particular, agrarian reform and rural development were left off the agenda, perpetuating structural inequalities inherited from colonial times (Kay 2011:261).

In terms of state capacity these dynamics caused fragmentation in policy-making, and placed powerful barriers to the genuine overhaul of state institutions under the good governance agenda. The ‘regulatory’ role of the state, and its capacity to develop policy was extremely weak in each of these cases by 1999, as set out in detail in Chapter Five. External actors were not directly complicit in these dynamics: donors and trading partners insisted on the compliance with reform agendas as the basis for institutional strengthening for good governance, as a pre-requisite for competitiveness. This put pressure on governments to respond, in order to access vital international financial flows. In Bolivia and Nicaragua the neoliberal reform agenda had been particularly prominent in the mid 1990s as the means of accessing aid and debt relief resources, since foreign investment flows failed to take off. In Honduras this agenda gained centrality in the aftermath of Hurricane Mitch in 1998 when these aid flows became more important. This conferred a certain profile to the central government Ministries, and especially the technical units, in
leading the reform programmes, as described in detail in the sections above. But there were limits to the potential of the PRS to deepen the good governance agenda from the outset. In Bolivia, patterns of party competition in elections sustained ‘empléomania’, undermining the integrity of the civil service. Clientelism and patronage bogged down the public sector with ‘unofficialdom’ (Molenaers and Renard 2005:151-2), setting clear limits to donor influence for engaging in reforms (de Jong et al. 2008a:55). Similarly in Honduras, elections were a ‘system of spoils’ (Seppänen 2003:21-2), and the practice of replacing all civil servants with each alternation in government limited donor influence and efforts towards ensuring continuity (Dijkstra 2005:453). Meanwhile, in Nicaragua, the overt corruption of the Alemán regime, which used key state institutions as ‘fiefdoms for partisan patronage’ from 1997 to 2002 severely tested the influence of donors (Close 2004:1).

**Political responses to HIPC II**

The PRS process gained momentum because HIPC II offered fresh resources for the public sector, and for fulfilling political promises without threatening existing resource flows. President Banzer’s government, beleaguered by internal incoherence and mounting economic, social and political crises, welcomed HIPC II as a way of securing new resources and offering a response to these problems. According to one interviewee (Aguilar, Oct 2009):

> A government incapable of directing public policies leapt onto the lifebelt thrown to it by international donors who had ordered a consultation and so it happened.

From the donor perspective, the PRS approach in Bolivia was the latest in a series of ‘brilliant ideas’ to strengthen the neoliberal reform agenda and deliver better results from aid (Komives et al. 2003:105). But the government treated the PRS process as another emergency response to social problems under neoliberalism, and there was no commitment to changing existing institutions (de Jong et al. 2008a:54). The launch of the process was particularly ill-timed and failed to arrest growing disenchantment with the entire political
system. Almost simultaneously, social mobilisations began to serious challenge the capacity of the state to design and implement any policy. The weakness of the state was revealed during the so-called ‘Water War in Cochabamba (Komives et al. 2003:18). The legitimacy of the political system was called into question and the public sector was paralysed at national level from this point on (de Jong et al. 2007a:3). In Honduras, the PRS process, and the associated resources, elevated the importance of the reform agenda, but there was little empathy with the emphasis on poverty reduction, or the association with aid. Many political leaders and business elites complained about being lumped in with ‘African’ countries and resented being labelled as poor. The PRS process therefore was tolerated so long as it brought resources, but never captured the interest of the most powerful policy-makers in the state, and business elites were disinterested (Seppänen 2003:33). The PRS approach was viewed from within a fragmented state system as something external. According to one interviewee (Díaz Jan 2009):

The PRS was never a full policy document [or] a ‘plan for the country’: it never took into account the framework of competitiveness, free trade etc ... it was just an instrument, imposed by donors amidst the chaos... CAFTA and the later trade negotiations with the EU were never considered in terms of a poverty reduction strategy. They are two different parts of public policy: one belonging to donors, the other belonging to other sectors.

In Nicaragua deteriorating relations with the IMF damaged the competitiveness and attractiveness of Nicaragua as a destination for foreign investment, causing divisions with business elites. The negotiations with the IMF had caused immense political tension since 1994 because of the social implications (Ruckert 2007:104). Concluding, and implementing, an agreement with the IMF in 1998 had the potential to precipitate a serious political and economic crisis, because foreign flows would have been halted (Marti i Puig 2004:156–7). In this context, HIPC II offered a new source of finance for Alemán to avoid political confrontation. To the horror of business
elites and donors alike, Alemán responded to the initiative with a crude populist discourse:

The most shocking of the Alemán government’s actions occurred in September 1999 when Nicaragua entertained high hopes of getting HIPC status and the president staged a huge fiesta to celebrate the anticipated arrival of economic good times... there was free food, music, and a huge balloon floating freely to symbolize Nicaragua’s coming release from the bonds of debt! That is, they were celebrating Nicaragua being declared one of the world’s poorest countries. (Marti i Puig 2004:159)

However, Hurricane Mitch obscured all of these dynamics, and led donors to take a more lenient stance and new aid flows began to arrive in the absence of an IMF agreement, giving Alemán a political reprieve (Dye and Close 2004:129). Entry point to the HIPC II initiative was delayed, but the PRS agenda was eventually carried through by SETEC, with IMF support. President Alemán was mostly absent from the process, preoccupied negotiating a political pact with the Sandinistas (IEO 2003a:18), and engaging in corruption so extensive in 2000 and 2001 in the run up to the elections, that it bordered on kleptocracy (Dye and Close 2004:137, Deonandan 2004b:185-7). As a result, the Boards of the IMF and the World Bank were reluctant to approve the ERCERP, because this would have amounted to approval of a corrupt government. However, the United States was keen to avoid unrest that might facilitate a Sandinista victory in the elections, and IFI officials were keen to maintain the gains achieved by technocrats to date, so the strategy was approved (Dijkstra 2005:450).

The politics of participation
There was considerable suspicion about, and resistance to, participation from Presidents, parties and business elites. Nonetheless participation was facilitated in response to donor pressure, so long as it did not interfere with prevailing patterns of state-society interests. The consultative processes gave prominence to civil society actors that had been excluded from public policy making processes to date. Yet in each case an overt attempt was made to avoid politicisation of the PRS process at national level by carefully
designing the methodology for participation, as is discussed in detail in the next Chapter. In Bolivia there was focus on local level participation, through the decentralisation framework, where, it was perceived, participation could not be as easily hijacked. In Honduras and Nicaragua, the presence of strong bipartisan dynamics in parliament meant that parliament was avoided, and the presence of politicised civil society group was marginalised. But in practice, in all of these cases, limited and controlled participation bypassed formal representative institutions. The fundamental political economy remained intact and there was no basis for generating debate, or agreement behind a social pact. The emphasis on consensus tended to obscure fundamental cleavages and trade-offs within society and depoliticised the process. Overall, a technical and apolitical approach to participation served to minimise the impact of participation and alienated those involved.

Evidence from the countries also suggests that the technical units were not interested in participation beyond complying with the HIPC II initiative and reaching the immediate goal of producing a strategy. In Bolivia, the technical secretariat presented the social agreements that emerged from the consultative process and the input from the Jubilee process to UDAPE. Ominously, the interim PRS had never been used as the basis for dialogue in any part of the official process (Dijkstra 2005:447), but it did inform the technical drafting. A consultant from the private sector, Juan Carlos Requena, a former economist at the Central Bank, was commissioned to lead the process. In interview, Requena (Oct 2009) described the total and deliberate discontinuity between the elaboration of the strategy within UDAPE and the consultations that had preceded it:

The type of participation there was in the PRS was very idealistic – it is very hard to generate consensus like this. Taking decisions is a whole other thing – assemblies could discuss things for 20 years before concluding!

...Participation in itself is a good thing, but at a certain point decisions have to be taken. Civil society and donors believed in consensus but this is no longer possible, and at a certain point I
believe that the government should govern. While participation is good, policy decisions have to be taken by government. There was also pressure from donors, and within government to comply with the HIPC II timetable and ensure that the PRS was approved as soon as possible. But in the process the entire content of civil society consultations was left to one side.

Similarly, UNAT in Honduras ostensibly drew directly from the participatory process in the development of the PRS, but the content of the final strategy was determined by technical criteria established in the closed, interim strategy stage. Moreover, the draft PRS had been deliberately prepared in advance of the consultations in order to define the scope for participation. According to a former UNAT member (Raudales Jan 2009):

> If civil society had been included in the process, the interim PRSP would never have been finished on time – it was needed to secure decision point in December 2000. This was the role of the UNAT within government. Only after this did the PRSP begin to be discussed with civil society.... But entering consultation UNAT already had their own final proposal of what the PRS would look like... there was pressure to produce something on the basis of which the government could negotiate [with civil society], to avoid arriving at the table with civil society with nothing in hand, and risking that they would have their own proposal.

For UNAT, the participatory process was there to generate support and consensus behind the strategy, rather than to facilitate an open debate on how to devise policies; this was not the role of civil society, it was the job of UNAT.

In Nicaragua SETEC finalised the PRS over the course of 2001, circulating four different versions of the strategy for consultation, but it did not draw significantly from inputs given through CONPES or from the alternative proposal generated by a parallel civil society process (Dijkstra 2005:449). According to a former member, from within SETEC the idea of generating a consensus around public policies in Nicaragua was seen as unrealistic, because of underlying political polarisation (Pineda, Jan 2009):
On both sides there was little capacity to generate real social ‘concertation’ because there is no shared national vision – it is polarized between two models. As a result the conclusions of the consultative process were two exclusive policy options and so there is no national consensus. It is very hard to reach agreements, because there are no mechanisms for holding meaningful debate around public policies before they are designed.

From a technical perspective, the strengthening of processes linking public investment with policy in Nicaragua, and the transparency with which it was carried out, was an important achievement. Meanwhile, the reaction of civil society was viewed as inevitable: civil society participants went on to reject the final strategy and accused the governments of putting on a show for donors. In substance, the role of the state vis-à-vis civil society and participation in policymaking remained unchanged in these three cases.

The PRS process as a vehicle for state reform
Within the limited focus of the PRS as a policy agenda, there was potential for overhauling social sector ministries, and local governments as the agencies that were most involved in delivering poverty reduction initiatives. The technical units made clear efforts to use the PRS process to improve internal processes for policy-making. In Bolivia, the technical drafting phase involved extensive negotiation with line Ministries to produce the EBRP (Dijkstra 2005:447, Steinberg and Cavassini 2005:13). According to the lead consultant (Requena, Jan 2009):

Within government UDAPE did a lot of work with the Ministries. There was a lot of access and each worked on its own plan, for example health wanted all of their plans included in the PRS. But there were discrepancies among them over how to manage certain issues. Many plans were included and a lot of meetings took place to reach agreements – not consensus! Existing plans were used as the basis for work and a lot of prior things were incorporated.

These processes built on extensive reforms carried out in the 1990s, and were viewed as a success by donors. But within government, the technical elite was not loved, and there was resistance to their policies (Nickson 2005:407). From outside UDAPE the impact was perceived to be limited according to one interviewee (Aguilar, Oct 2009):
[The PRS process] did not manage to penetrate the existing cultures... it was a ‘discurso de sordos’. The directors general of the Ministries, who really make decisions, did not participate, it was a technical discussion. With the production of the EBRP the exercise was concluded.

There was less success in Honduras and Nicaragua with including line ministries in the process. In Honduras, UNAT was particularly concerned with selling both the PRS as strategies beyond the Office of the President in order to make the process sustainable. Other line ministries were attracted by the potential of new resources, but were suspicious of the demands being made by UNAT for information. This form of negotiating policy change broke with traditional dynamics for soliciting resource allocations. According to Raudales (Jan 2009):

The other ministries were present, but it was never possible to get these institutions to really become part of the PRS. They saw the PRS as an uncomfortable partner, a process that brought resources but also asked for information.

[UNAT] could see the jealousy and unease provoked by the PRS process, because it took officials away from their normal way of working, highlighting traditional attitudes. This highlighted too a clash of cultures between the UNAT and powerful institutions within the government, and as a result the government itself never recognised nor took on the PRS as a public policy... and it never served to broaden civil society’s access to government beyond the UNAT.

Similarly, in Nicaragua, SETEC carried out consultations with Ministries, but there was no overall change in how planning took place, or buy-in from outside the technical unit (Pineda Jan 2009):

There was some participation of other ministries in the PRS but it was consultative. The PRS process was a technical exercise: there was no participatory formulation within public institutions. The process included ‘experts’ in specific issues but not people from the ministries.

In the three cases then, the reach of the PRS approach was limited to technocratic policy-making, and like in other cases the process made little inroads into the politics of implementation, (Gould and Ojanen 2003:92), where clientelism and patronage dominated. As a result there was no guarantee of success, or sustainability. This supports
arguments about a ‘fatal duplicity’ on the part of donors in these cases by dealing with the poor, but not engaging with the political economy of poverty (Craig and Porter 2003:55).

The limits to elite tolerance of a poverty-focussed agenda and a donor-led reform process in the context of the electoral game were clearly demonstrated with the changes of government in 2002. Once access to debt relief had been secured, there was little incentive to sustain the poverty focus. President Sanchez de Lozada rejected the EBRP in spite of donor pressure to continue with it in Bolivia, because it was seen as belonging to the previous, discredited administration (de Jong et al. 2008a:3). In addition, there was a strong aversion to the dominance of the poverty agenda, and a desire to shift the focus to productive growth (Komives et al. 2004:4). Similar dynamics were repeated in Honduras, where extreme options were considered by incoming President Maduro in 2002, according to one interviewee (Raudales Jan 2009):

...there was a brief internal struggle as to whether Honduras should withdraw from the HIPC initiative. The National Party were more in favour of the neoliberal market than the Liberal Party, and they wanted to maximise their access to international sources of finance. They did not like being associated with the other HIPC countries; with their focus on foreign direct investment the attractiveness of Honduras as an investment destination was important. But by March 2002 the agreement with the IMF went off track and the Ministry of Finance intervened in the debate highlighting that Honduras would be unable to meet debt repayments without being part of HIPC.

In Nicaragua, President Bolaños immediately abandoned the poverty focus of the ERCERP when he came to power, switching the focus to enhancing competitiveness by developing ‘clusters’ in the economy in the PND (Guimaraes et al. 2004:24).

**Politicisation and eclipse of the PRS process**

The aversion to the poverty agenda, and the limits of participation, were also related to features of political bargaining and permanent electioneering during the PRS period in each case. In Bolivia, the unpopularity of the broad neoliberal agenda and all actors associated
with it meant that political actors were reluctant to engage with the PRS. Moreover, while the technical units oversaw participation with civil society, other Ministries were embroiled in disputes and negotiations with civil society actors in parallel to the PRS agenda. Pensioners and trades unions boycotted the PRS process because of ongoing disputes with the government over reform processes (Booth and Piron 2004:20). The unravelling of a tacit pact between coca growers and the government with the introduction of ‘zero coca’ policies, prompted political action by indigenous associations and peasant associations (Hylton and Thomson 2007:98). ‘ Outsider’ politics became particularly prominent, where groups traditionally excluded and dissatisfied with policy mobilised on the streets (Woll 2006:4-5). Negotiations took place over land and rural reform, involving the Ministries of Agriculture, Labour and Economic development (Assies and Salman 2005:280-2), but all remained disconnected from the PRS process. After the violent repression failed to bring an end to the ‘Water War’ in 2000, concessions were extracted from the government that reversed policies covering privatisation. Efforts by President Sanchez de Lozada from 2002-3 to comply with the IMF to introduce tax measures and renegotiate international concessions in the natural resources sector prompted further mass mobilisations, and resulted in acute political instability. In this context, the outcomes from the 2000 National Dialogue which diverted resources to local government were harmless to either to central government, or to the leaders of social mobilisations that were holding the government hostage, because they only related to the local level (Molenaers and Renard 2005:141). The entire PRS process became irrelevant, because from 2000 to 2005 the capacity of the state to develop and implement new policies was paralysed and all political energy of the state was directed at negotiating solutions to the political crisis that came from beyond the scope of the EBRP.

In Honduras, the PRS was central to public debate and policy-making in the aftermath of Hurricane Mitch. But as highlighted above,
CAFTA negotiations were never integrated with the PRS process, (Cuesta 2007:351), and there were also other negotiations taking place that remained separate. In the context of post-Mitch reconstruction the Ministry for Agriculture and the decentralisation programme PRONADERS carried out extensive consultations with peasant associations. But this process was disconnected from UNAT and the participatory process for the PRS, even though the final projects were included in the drafting stage of the strategy (Kay 2011:254). According to the World Bank, Honduras has one of the highest public wage bills in the region (2007b:10), partly due to the strength of teachers unions to negotiate with government. At the time the PRS was introduced, President Flores had secured an agreement with the unions, and they were disinterested in the agenda of other civil society organisations around the PRS process. Furthermore, UNAT actively avoided including trades unions, partly because there was little capacity in the state to deal with different negotiations at the same time (Raudales Jan 2009):

The Ministry of Education was not interested in getting involved in the PRS and more to the point, it didn’t have the capacity to deal with two big issues at once: it didn’t have the organisational capacity, negotiation capacity or planning capacity. In all of these dimensions the Ministry and the sector had problems. The institutional disorder of the social sectors and governability issues impacted seriously on both the PRS and the teachers’ wage issue.

When President Maduro came to power in 2002 a wage agreement with the teachers union expired, leading to protracted strikes and problems for the government in concluding an agreement with the IMF (Cuesta 2005:15). The 2002 election was characterised by the traditional scramble for ‘chamba’ and the allocation of public sector posts was associated with rampant corruption (Ruhl 2010:96). But by 2003, President Maduro attempted to improve relations with the IMF by continuing with the PRS agenda, and attempting to deepen efforts to reform the public service (de Jong et al. 2008b:5). This generated opposition from within the parliamentary party and within the state, as well as precipitating protracted strikes by public sector
unions (The Economist 2003). In this context, Maduro felt he was being castigated by the IMF for mistakes made by his predecessors. Meanwhile, electoral campaigning was in full swing in 2004 and 2005, and the National Party needed a bargaining chip in order to remain in power (Hunt 2005a). In the months before he left office, Maduro undid the efforts made by UNAT to institutionalise the PRS process by launching a populist national consultation to ‘ask the people’ how to use the funds (Hunt 2005b). This politicisation continued under President Zelaya in 2006, and led to a confrontation with parliament, leading to Congress taking direct control of allocating a portion of the HIPC resources directly to local government (de Jong et al. 2007b:23). The bulk of these resources went to finance increased salaries for teachers and the security forces, securing political support from the unions and offering a cosmetic response to growing violence in society. The ERP as a strategy and an agenda for reform disappeared in these dynamics.

The dynamics of the ‘pact’ between Alemán and Sandinista leader Daniel Ortega dominated politics in Nicaragua in the initial phase of the PRS process. Alongside this, a banking crisis in 2000 caused the collapse of six major banks and threatened to destabilise the economy. Protracted negotiations between business elites, different Liberal and Conservative factions in the Liberal government and the Sandinista party resulted in a state-financed bail-out of all six these banks leaving Nicaragua with a massive internal debt alongside crippling external debt. Then, in 2001 increased spending in the run up to the election exacerbated the fiscal crisis. By the time Alemán left office in Nicaragua, traditional clientelism had been resuscitated, the relationship with the IMF was seriously damaged (Dye and Close 2004:137). The ERCERP had been approved but there were no resources to finance it. Bolaños, who came from the Conservative business sector, recognised the deal that had been made to save the banks, and diverted HIPC resources to finance the deficit (Hunt and Rodriguez 2004). In this, the role of the state was firmly replanted in
the neoliberal orthodoxy and the poverty agenda was left to one side (Guimaraes and Avendaño 2011:333), antagonising civil society actors that had participated in the process.

Nevertheless Bolanos’ capacity to further the modernisation and reform of the state was undermined by more serious political conflict (Guimaraes and Avendaño 2008:28). In an attempt to repair Nicaragua’s external image, former President Alemán was stripped of immunity and imprisoned after facing corruption charges (Anderson 2006:160). By doing this, Bolaños has been described of having a ‘cavalier disregard for the norms of political life in Nicaragua’ (The Economist 2004). Bolaños won credibility and support from the United States, and donors, and some sympathetic business elites, but his actions divided the Liberal factions in parliament, and left the Executive isolated. This gave Sandinista leader, Ortega, power of veto over all legislation, and Bolaños was powerless to implement policy reforms or overhaul state practices (Anderson and Dodd 2009:155-6, World Bank 2008b:17). The PND remained suspended in a ‘pseudo-reality’, discussed only between the Executive and donors, divorced from broader government and politics (Dijkstra 2005:461, Guimaraes and Avendaño 2011:332-3), and the strategy was never implemented. When Ortega became President in 2007 political chaos subsided, an agreement was made with the IMF, and the business sector gained confidence that their activities would not be interrupted (Guimaraes and Avendaño 2008:7). But there is strong evidence of institutional weakening since 2007, and accusations that social policy has been used in a partisan, clientelist way, have mounted.

The state, politics and the PRS approach
This analysis reveals the entrenched dynamics that undermined state-led change in all of these cases, while the technical approach to participation meant that the PRS approach failed to generate a coalition of support even within its own constituency. The trajectory
of the PRS approach in each of these cases raises pertinent questions about the limits of donor influence, but also whether the naivety of the PRS approach about politics made things worse (Lazarus 2008:1214). In the Bolivian case, in the context of the PRS, donors are charged with exacerbating political instability, by imposing politically unpopular conditions (Haarstad and Andersson 2009:18-9) and by financing too much participation, overwhelming the capacity of the state (Donlon 2006:11-12, Whitehead 2008a:256). In contrast, in Honduras, a prominent civil society activist described in interview how the PRS approach consolidated a patrimonial culture (Moreno, January 2009):

> At the end of the day this type of intervention does not give a structural response to poverty. The PRS repeated and increased the errors already present in the rest of the social policies, because it had more money and more people such as technical experts, consultants and civil servants, so it served to feed the existing system ... the PRS ends up promoting the public sector and strengthening local and national caudillos.

> This is why a project like PRS does not contribute towards democratising spaces for civil society participation; instead it becomes an instrument for strengthening processes that favour a type of patrimonial culture. The PRS ends up validating the system as it is, with an absence of democracy and weak institutions. Some good things were done, but the dominant tendency was to perpetuate the status quo rather than to invest in people.

> The main handicap of the PRSP was that it was an external proposal, and while it may have come with good intentions, it assumed that institutions and citizens had developed already.

In Nicaragua, aid relations have been charged with facilitating neopatrimonialism under President Alemán (Deonandan 2004b:193, Marti i Puig 2004:161-2), while from 2002, donors’ support for the isolated Bolaños regime failed to interrupt the consolidation of the politics of the pact (Dijkstra 2005:461, Guimaraes et al. 2004:5), and the resuscitation of traditional clientelism may be continuing under Ortega (Anderson and Dodd 2009, Marti i Puig 2010).

The diverging outcomes highlight that the limited impact of the PRS was only partly inevitable due to the naivety of the theory of change, and emphasise the importance of contingent political processes in determining outcomes, and their legacy. The interaction of the
process with ongoing political dynamics revealed important differences in the politics of policy-making and implementation around poverty issues in each case. Bolivia was consumed by a deeper political crisis, because the elite pacts that underpinned a degree of democratisation and the introduction of neoliberal reform, and which simultaneously sustained an elaborate system of patronage and clientelism, had begun to unravel. The PRS process was totally eclipsed by these developments, and never served as a viable platform for delivering a new role for the state in poverty reduction, or for enhancing the capacity of the state to implement such policies. Entrenched bipartisan dynamics in Honduras circumscribed the limits of the PRS process throughout the period from 1999 to 2006. Initial attention to the agenda was rapidly revealed to be at best cosmetic, and the resources were exploited for political ends. In Nicaragua, bipartisan polarisation meant the state was trapped in a cycle of exploitation by personalist leaders, and paralysis under powerless technocrats. But more importantly, the Bolivian case illustrates that the PRS was not a viable vehicle for resolving deeper political conflicts as the state failed to contain bottom-up pressures from society. Instead, the PRS experience may have fuelled the conflict. In Honduras and Nicaragua, the potential of social forces to instigate change remained subordinate to elite dynamics, but the broader legacy of the experience is not clear. This highlights the limits of state-centred explanations to offer a complete account of the PRS process, and society-centred explanations are used in the next Chapter to complete the analysis.

In sum, political dynamics set clear limits to donor influence from the outset, making the principles of ownership and participation incoherent in practice. The nature of elite interests and competition precluded a genuine commitment to either poverty reduction or a deepening of the good governance agenda. With political resistance from within and without governments, the technical units adopted an apolitical approach to participation, which limited its potential to
deliver ownership. A technical approach to drafting the actual strategies failed to penetrate clientelist practices within government, and there was little ownership within government. Incoming Presidents in 2002 were keen to dissociate from their predecessors and abandoned the poverty focus. From this point, the fate of the PRS process in each case was fatally tied up with domestic political dynamics: with the mounting political crisis in Bolivia, where donor-imposed policies and participation may have contributed to destabilisation; with bipartisan, clientelist politics in Honduras where donors may have consolidated patrimonialism; and with political polarisation in Nicaragua, where donors attempted, and failed, to influence the dynamics of the pact.

### 6.5 Conclusions

The PRS process in Bolivia, Honduras and Nicaragua failed to make a lasting impact on the role of the state in poverty reduction and in facilitating participation, or on the capacity of the state to design and deliver policies for reducing poverty. Technical capacity to measure and assess poverty issues was enhanced, but the PRS did not overhaul the way in which planning took place within government, and the technical units remained isolated. Participation was treated as an exercise parallel to the business of technical policy-making, and so the technical units alienated civil society participants, and lost their support in advancing the PRS agenda. The content of the final strategies was weak, and with changes in government in each case from 2002, the original strategies were quickly discarded or amended and they were never implemented. Attempts to institutionalise participation, and the development of further consultative processes for new national strategies continued, but were short-lived. Debt relief was channelled to social spending, but did not form part of broader national plans for poverty reduction, and had little impact on poverty in this period.
Donor actions contributed to these outcomes, reinforcing a technocratic, apolitical approach to policy-making, and overshadowed participatory processes by over-influencing the content of the strategies. However, the role of technical units within the government was not strengthened, which undermined ownership and limited the potential of the PRS agenda. After 2002, convergence around the PRS agenda waned and donor responses to second generation strategies and participation were more ad hoc, revealing and contributing to further contradictions in the principles of ownership and participation in practice. But political dynamics set clear limits to donor influence from the outset, bringing the naivety and ambiguity in the implicit theory of change behind the PRS approach into sharp focus in the donor-focussed literature. The trajectory of the PRS processes in these cases does not reflect the imposition of a neoliberal hegemony. Instead, the processes were marked by elite resistance to the poverty agenda, and to broadening and deepening institutional reform. Attempts by the technical units to overcome this opposition within government encountered a further obstacle from entrenched corruption and clientelism in the implementing agencies. Meanwhile, there was a range of political dynamics that overshadowed and eventually occluded the PRS in each case. An examination of these dynamics reveals how the state is captured and fragmented as a result of elite bargaining, and demonstrates the weakness of democratic institutions to represent and respond to the needs of the poor. These themes are explored in greater detail in the next Chapter.
Chapter Seven:  
Civil Society and the Poverty Reduction  
Strategy Processes 1999-2006

7.1 Introduction

This chapter applies the analytical framework to the experience of civil society in the PRS process in the three case study countries. The PRS approach built on the ideas of NGOs around participation of the poor and people-centred development, and applied them to national level policy-making. The focus on participation appealed to the technocratic concerns of neoliberal institutions, but also resonated with the aspirations of social movements that had fought for the democratisation of state-society relations (Molyneux 2008:782). Taking these contrasting views of participation into account, this chapter investigates the impact of the PRS approach on civil society, and on state-society relations, and assesses the ways and the extent to which the PRS approach was contested. It begins with an overview of civil society participation in the PRS processes, examining which civil society actors got involved, and the ways in which these organisations attempted to influence and to contest participation in each case. These issues are examined with particular attention to civil society involvement in the initial participatory phase of the PRS process in each case in 2000 and 2001, and in the institutionalisation of participation from 2002 onwards.

In the following section the impact of donors and of international civil society organisations on civil society, and on participation in these processes is assessed, and the explanatory power of donor-centred approaches for outcomes is considered. Turning to political, society-based explanations, the representation of civil society in the
participatory process is evaluated, with reference to the broader nature of civil society in each case. Limits to the influence of civil society participation on the PRS, and on opening up greater space for influence on policy-making processes in general, are assessed in reference to the political dynamics of political party competition, to the interaction of civil society groups with parties and the state, and to political contestation within civil society itself. In light of these analyses, the overall impact of the PRS experience on the nature and role of civil society vis-à-vis the state, and in democracy is evaluated. The three cases are compared and contrasted to draw conclusions about the extent to which donor issues, or underlying political dynamics determined outcomes for civil society. Finally, conclusions are drawn about the nature of the civil society, and the prospects for democratisation.

7.2 The PRS process: the role of civil society

Participation for NGOs and local level civil society actors in policy-making and implementation at sub-national level had expanded under the neoliberal reform agenda since the 1990s, as set out in detail in Chapter Five. The PRS approach applied these participatory techniques to the national level, and civil society participation became an explicit condition for accessing debt relief under HIPC II. Participation was welcomed by donors and by technocrats as a means of improving the quality of policy for poverty reduction by getting input from a broad range of actors (Klugman 2002:2). The process also offered a framework for civil society partnership in the implementation of poverty reduction initiatives and for enhancing the accountability and transparency of the state. Starting with the role of civil society actors prior to the launch of the PRS in each case, this section examines which civil society actors were involved in the PRS processes, and their role vis-à-vis the state over the course of the PRS process. The capacity of civil society to influence the nature of
participation, the content of the PRS and subsequent moves towards second generation strategies and the institutionalisation of participation are all considered.

The background to participation in the PRS processes
Civil society organisations in Bolivia, Honduras and Nicaragua had been extensively involved in lobbying for a new response to external debt burdens from international actors, and in demanding greater participation in national level policy-making prior to the launch of the PRS process in each case. In Bolivia, the Catholic Church founded the Jubilee Forum as a platform for NGOs and local civil society organisations to campaign around external debt issues, and demanded a different type of participatory process to the 1997 National Dialogue to determine how HIPC II resources would be used (Komives et al. 2003:3). After Hurricane Mitch in 1998 civil society actors working at local and national level in Honduras and Nicaragua joined forces to create national platforms in each case to influence how the disaster response would be managed, and how debt relief resources would be used. In Honduras, a new national platform, called Interforos, brought together policy-based NGOs in the capital, especially the Citizens’ Forum (Foro Ciudadano) and the recently formed Honduran social forum for external debt (FOSDEH), with grassroots networks of local development organisations including Caritas, the network of Catholic Church organisations working at local level (Boussard 2003:181, Seppänen 2003:52). Interforos became a focal point for civil society participation in the PRS process. In Nicaragua, members of a recently formed national civil society umbrella group, the Civil Coordinator (CCER), comprising 21 networks and over 350 organisations, began to develop important analysis of public finances and the overarching debt issues under the Alemán government (Bradshaw et al. 2002:17), and remained the focal point for the PRS process at national level. These platforms were the principal referent for civil society in the PRS process in the literature on these cases.
The launch of the PRS in 1999 offered a new role – and legitimacy – to these civil society actors. International backing meant that expectations were raised about what the process might deliver in terms of participation and poverty reduction. Yet civil society leaders were wary of the risks of engagement with the state, and with an ostensibly neoliberal agenda. The way in which the interim strategies were drawn up in each case did little to assuage civil society fears, and prompted accusations that the PRS approach masked ‘business as usual’ by the international financial institutions and the state. In Bolivia, the interim strategy was never made public during its elaboration, leading to accusations that the strategy had been pre-cooked before participation ever took place. In Honduras, NGO leaders representing Interforos criticised the secrecy around the interim strategy, and the fact that it had been produced in English. The poverty diagnostic was attacked because it had been carried out in a top-down way, by foreign consultants, without really taking into account the reality of the poor in the country (O’Neill 2000:98). In contrast in Nicaragua, the technical unit, SETEC, invited the CCER to participate in the elaboration of the interim strategy in 2002 through the recently formed National Council for Economic and Social Planning (CONPES). The CCER expressed concerns that civil society representation at national level was too narrow, and that the agenda was overly restricted (Bertelsen and Jensen 2002:99). The recommendations made by the CCER for alternative approaches to measuring and tackling poverty issues were not included in the interim strategy, which was written in English, drawing further criticism.

Participation in the PRS processes
Overall, the interim strategy phase did not offer space for civil society influence in any of these cases. However, the requirement to carry out a broad participatory process continued to hold potential for influence, and civil society contested the form that participation took
in each case. In Bolivia, Vice President Quiroga had initially tried to get the Catholic Church, through the Jubilee Forum, to lead the process, but after the way the interim process had been handled, the leaders refused and instead began an alternative process (Komives et al. 2003:26). The government’s technical unit, UDAPE set up an independent secretariat to carry out the participatory aspects of the process (Booth and Piron 2004:18-19). This strategy aimed to mitigate anticipated accusations of politicisation and political control of participation, in the context of concurrent political unrest due to the ‘Water War’ in Cochabamba in April 2000. However, the government avoided handing over control to actors perceived as belligerent political opponents, and there were no civil society representatives on the secretariat. Nonetheless, the official methodology was heavily influenced by the participatory process carried out by the Jubilee Forum in early 2000. A bottom-up consultative process was designed involving representatives from municipalities, departments, and a national roundtable to agree civil society proposals on a social agenda covering the extension of basic services (Dijkstra 2005:447). After accusations from the Jubilee Forum and other NGOs that the agenda was overly restricted to social issues at local level, the secretariat revised the official methodology to include two further national roundtables on economic and political issues (Woll 2006:11) in late 2000 after the social agenda had been concluded.

In Honduras, once the interim strategy had been approved, the official participatory process was overseen by technical unit, UNAT and the Commission for Participation that had been formed after the Stockholm meeting with donors in May 1999. The Commission was made up of representatives from the civil society platform Interforos, along with FONAC, an education reform forum, representatives from the Chambers of Commerce of major cities, and the municipal Mayors’ association AMHON (Boussard 2003:245). The content and methodology for the participatory process was directly controlled by
UNAT. It involved a set of national discussions of a draft strategy with sector-representatives, the presentation of the poverty diagnostic report to parliament, and consultation with civil society actors at national and regional level (Cuesta 2003:26). The Commission had little input into the process, apart from securing the inclusion of further regional consultations over a six-month period from June 2000. A second phase in 2001 aimed to publicise the PRS within government and with key political actors in the run-up to the general elections due at the end of the year. However, by this stage Interforos had become disenchanted with the process and withdrew from the Commission. In Nicaragua, participation in the final PRS was again facilitated by SETEC through CONPES. A series of meetings and workshops at national level were convened throughout 2001 to facilitate participation and generate input into the PRS. In comparison to the processes in Bolivia and Honduras, participation was rapid, centralised and heavily controlled by SETEC (Guimaraes and Avendaño 2003:31). In a letter sent to the World Bank, IMF and donors in early 2001, the CCER rejected the interim PRS, and the way that participation had been handled, and lobbied for participation to be expanded (Ruckert 2007:105-6). In response, donors financed the CCER to carry out an additional consultative process called PROCONSULTA in mid-2001, consisting of a series of regional workshops to generate broader civil society input into the human capital and social protection measures of the strategy (Dijkstra 2005:449). While SETEC recognised this process and received input from it, the technical unit was not directly involved in facilitating the workshops. Overall the direct influence of civil society on the methodology and evolution of participation in each case was limited.

**Who participated, and how**
The selection of participants was contentious in each case, both because of limited civil society influence, and the limited range of actors involved. In Bolivia, the methodology of the social agenda of
the official PRS process mirrored the territorial approach of the Jubilee process as a means of broadening representation and getting close to the poor. However, national-level civil society organisations were avoided because the process focussed on local government as the site of representation, as a means of bypassing the tightly controlled hierarchy of traditional sector-based unions and interest groups, and the influence of national political parties. Four representatives were drawn from each of the 314 municipalities: the mayor and the leader of the council, who was usually from the opposition, were automatically selected, and each then nominated two local civil society representatives, at least one of whom had to be a woman. At departmental and national roundtables, an agreement was reached over the allocation of HIPC II resources to municipal governments. Whether this constituted civil society participation at all has been questioned, since at least half of participants were either part of the local government or were subject to politicisation (Molenaers and Renard 2005:142). As a result, the process may simply have favoured local elites, and reinforced political control by dominant interests (Booth and Piron 2004:19). Others questioned how socially representative the consultations were: municipal representatives did not necessarily represent the poor, and women in particular were under-represented (Komives et al. 2003:34-35). National NGOs and networks were not major participants in the bottom-up process; however, once the social agenda was concluded, national roundtable consultations on the economic and political agendas took place at departmental and national level. These consultations did include representatives from national actors such as trades unions, NGOs and business groups. The most important civil society participants came from the Jubilee Forum and a recently formed umbrella group of small producer associations called the ‘Comité de Enlace’ (Morrison and Singer 2007:730-1).

The participatory process in Honduras led by UNAT was generally deemed to be transparent and ‘honest’ in that there was no deliberate
attempt to exclude any particular civil society actor, and there was a
clear attempt to bring consultations to different regions in a long
process (Dijkstra 2005:451). In the absence of a strong
decentralisation framework, local participation was limited, although
AMHON played a role in the Commission and lobbied for funds to be
allocated to the poorest municipalities. Participation was marked by
the heterogeneity of the size, scale and scope of civil society
organisations involved, with over 3,500 individuals taking part across
the country (Cuesta 2003:27-29). The actual methods for selecting
invitees in the initial phase were never made public and the criteria
used to determine the representativeness of civil society participants
by UNAT were never shared or discussed with the Commission for
Participation (Cuesta 2003:37). The most prominent participants
were members of the national civil society platform Interforos and
other NGOs close to donors and aid programmes. In general, women,
indigenous groups and the poor were underrepresented. In
Nicaragua, the consultative process was highly centralised and
controlled by SETEC, and participation was very limited in its scope
(Vos et al. 2003:28-30). The CCER representatives were included in
CONPES, however, it was only in later parallel consultative process
that the range of organisations encompassed in the umbrella
organisation were empowered to give input. The PROCONSULTA
initiative broadened the scope of participation and allowed greater
regional and local level input to the process. NGOs remained
prominent, but the process did involve participation from peasant
associations, workers cooperatives, trade unions and civil servants
representatives. At a final stage, fourteen focal group meetings were
held directly with the poor, but this was perceived to be an add-on to
the participatory process, which took place after the principal
discussions took place (Guimaraes and Avendaño 2003:25-26).

In many respects, national level participation in these cases was
similar, characterised by a strong presence of national civil society
platforms and NGOs. The sub-national process differed in each case:
a comprehensive, bottom-up, municipal process took place in Bolivia; in Honduras a top-down series of regional consultations complemented the national process; while in Nicaragua, regional consultations took place later under the supplementary process, PROCONSULTA. Beyond these processes, in all cases parliamentarians and political parties played a very low part in the participatory processes (Booth et al. 2006:17-18). A general weakness was the absence of the poor, while other key civil society actors were also absent, some by choice or some by design. In Bolivia, business groups and trades unions had been prominent participants in the 1997 National Dialogue process, but were absent from the official PRS process in 2000 until the economic and political agenda roundtables were held. Some national representatives from trades unions and indigenous associations also participated at this stage, but public sector unions such as the teachers’ unions and state pensioners formally boycotted the process (Booth and Piron 2004:20), while peasant associations were contemptuous of the process from the start, dismissing it as an externally imposed agenda belonging to the World Bank, and refused to engage (Aguirre and Espada 2001:16-17).

In Honduras, the Chambers of Commerce played a marginal role beyond the Commission for Participation, and the national business association, COHEP never took part in the consultations. Members of other traditional civil society actors, especially the peasant associations and public sector unions participated in different events, but neither sector got substantially involved (Seppänen 2003:67). In Nicaragua, private sector groups were dismissive of the PRS, of CONPES and of civil society representatives, even while holding representative spaces in the body. The trades unions did participate to a greater degree in the PRS process through CCER and the PROCONSULTA processes, but the scope of these consultative events was smaller than in Bolivia or Honduras, and the political importance of the unions was less. Overall, the lack of interest in the
PRS from other political and civil society actors minimised the prospect of ownership, and the potential for this type of participation to impact on the national politics and the public policy agenda.

The initial outcomes and appraisals of participation
Nonetheless, participation introduced some innovations and there was extensive civil society engagement with the PRS agenda in 2000 and 2001 in each case. In Bolivia, the bottom-up approach in the 2000 National Dialogue was unprecedented in that it brought together civil society actors from different levels, and from different sectors that had never sat down together before, and offered them a space to discuss national policy issues (Komives et al. 2003:45). As part of the social agenda criteria were agreed for allocating all HIPC II resources to municipalities under the legal framework of popular participation, weighted according to municipal poverty rates. This was generally perceived as a positive step for consolidating decentralisation (CEDLA 2001:9-10). However, there was little detailed discussion of broader national development policies or inherent trade-offs in public policies, and the process generated wish-lists of poverty reduction interventions. In contrast, the national roundtables offered greater space for bigger trade-offs and the quality of the inputs from Bolivian civil society was high at this stage. The Jubilee Forum and the Comité de Enlace came to the table with technically developed policy proposals that had been subject to extensive stakeholder deliberation in preparations for the official process throughout 2000 (Booth and Piron 2004:19). The policy proposals discussed engaged with the major political and economic issues of the time; but neither of the roundtables was concluded and no binding agreements were made with the state around these policy proposals, and they were not included in the final EBRP in mid-2001.

In Honduras, while participation was broad, consultation was restricted to giving input and feedback on the initial draft of the strategy. The possibilities for broadening the agenda and securing
policy agreements with the government were constrained by the methodology. Workgroups were convened to facilitate input into various sections and themes of the strategy. The eclectic nature of civil society participants resulted in unevenness in expectations, the type of engagement, and the input that was given. Appraisals of participation noted that smaller civil society organisations were often simply quite pleased to have been invited, while other more critical and capable organisations were more belligerent. There was also great disparity between the range of demands emanating from large grass-roots associations such as Caritas; the highly critical inputs coming from the anti-neoliberal Bloque Popular; and the more technical type of inputs coming from an elite organisation such as FOSDEH (Cuesta 2003:30-32). There were no criteria under which any inputs, whether from civil society, donors or other parts of government had to be taken into account. No binding agreements emerged from any stage of the consultation process, and the omission of key policy proposals left civil society leaders frustrated and grassroots members disillusioned. When UNAT unilaterally added a ‘macroeconomic chapter’ to the strategy in April 2001, Interforos withdrew from the Commission for Participation in protest. Interforos rejected the final ERP and an independent civil society-led participatory process was launched to generate alternative proposals (Bertelsen and Jensen 2002:102, Seppänen 2003:52).

In Nicaragua, participation through CONPES was narrow, centralised and controlled. Little regard was given to questions of representation beyond balancing the party composition of the commission. SETEC was primarily interested in technical inputs, and in avoiding raising expectations and exacerbating political polarisation (Dijkstra 2005:449). After successfully lobbying for the PROCONSULTA process to introduce greater geographic representation, the CCER became increasing concerned in 2001 that the output would not be considered by SETEC for the final strategy, as it was due to conclude after the anticipated cut-off date, April 2001 (Guimaraes and
Avendaño 2003:27). In contrast to Interforos in Honduras, the CCER chose not to withdraw from the official consultation process at this stage, but as a compromise position, a parallel alternative participatory process was launched to produce an independent proposal for the PRS in 2001 (Bradshaw and Linneker 2003:153-4). The process produced a comprehensive alternative policy proposal based on extensive bottom-up participation entitled ‘La Nicaragua que queremos’ (Coordinadora Civil para la Emergencia y la Reconstrucción 2001). This document was formally presented to SETEC for consideration in drawing up the final PRS (Guimaraes and Avendaño 2003:28), but there was no agreement that the proposals would be taken into account.

In all three cases, participation amounted to little more than information-sharing on what the government was planning to include in the PRS, with some input into how the funds should be distributed. The participatory processes were criticised for the rushed timeframe of participation, the limitation of the agenda to certain issues and the failure to give participants time to prepare (Aguirre and Espada 2001). Crucially, there was a lack of clarity at any stage on how civil society input generated through the different consultative processes would contribute towards the final strategies. In each case, the content of the official consultations was synthesised, but in effect these amounted to little more than wish-lists, and there was little discussion of the priorities and trade-offs fundamental for the identification of a strategy (Vos et al. 2003:61). Only in the Bolivian case was a concrete agreement reached with participants over the use and allocation of HIPC II resources, which were ring-fenced for use by municipal government according to poverty headcount and poverty reduction criteria. But, as in Honduras and Nicaragua, no broader policy agreement was secured between participants and the government (Booth et al. 2006:13-14). Where discrete proposals were included, they were ‘lost’ in the aggregation of demands by technical units (Donlon 2006:11). When the final PRS
documents were produced, civil society in all cases felt that their input from either official or parallel channels had been ignored and this caused great disillusionment and disappointment. As a result, the aspirations of the PRS approach towards fomenting a spirit of partnership and commitment to the strategies were undermined, and participation had failed to generate ownership.

The independent civil society processes
The alternative processes carried out by the civil society platforms in each case demonstrated their capacity to organise, mobilise and react to perceived manipulation by the state with policy proposals. The extent of civil society activism also demonstrated the extent of ‘ownership’ among some civil society of the PRS approach, if not of the actual strategy and approach in any case. In Bolivia, the Jubilee Forum’s process in early 2000 intended to raise awareness of the debt cancellation process, to generate a debate on how the resources should be used, and to lobby for a social control mechanism to be put in place to allow civil society to effectively track the use of the funds. The process used the structure of the Church at diocesan and parish level and involved hundreds of volunteers, and so cost only a fraction of the amount that would be used for the official process later that year (Komives et al. 2003:30, Booth and Piron 2004:18). The Jubilee Forum claimed its process had a broader coverage of the population, especially of poor people living in isolated areas, but others have highlighted the exclusion of non-Catholic population and those NGOs and organisations not closely associated with the Church. A document tackling the structural causes of poverty, and dealing with poverty in its economic, political and social dimensions was produced. It was used to lobby the government and donors around for changes to the PRS process and content along with a proposal for the MSC for overseeing the use of HIPC II resources (Morrison and Singer 2007:728). Meanwhile, the Comité de Enlace, contested the dominance of the Church and began to produce its own proposals (Komives 2011:306).
In Honduras, the recently formed Interforos was slower to move towards developing an independent participatory process, beginning in 2002. The regional strategies aimed to develop an alternative approach to the participation and to the content of poverty reduction strategies. Four regional processes were carried out in the following years that helped to strengthen and consolidate local activism around the agenda (Hunt 2004d). The promise of these regional platforms was undermined when internal tensions led to the collapse of Interforos in mid-2002 (Seppänen 2003:55-56). The capacity of different organisations and platforms varied and serious disagreements surfaced over how to manage and strengthen the collective power to engage with public policy. In a dramatic and public dispute, FOSDEH withdrew from Interforos and the platform never recovered, even though the alternative processes continued. Civil society activism around the PRS agenda continued for a number of years, in the context of the institutionalisation of participation; however, the organisations never fully overcame these tensions, and no national unity, or influence, on the same scale was achieved again (Hunt 2005b).

In contrast to both Bolivia and Honduras, the CCER in Nicaragua was a broader, more ‘organic’ national platform which initially enjoyed considerable legitimacy as the protagonist in participation in the PRS agenda (Bradshaw and Linneker 2003:15). The CCER carefully planned how to engage with the official process, while maintaining a critical stance and independence, by carrying out an alternative bottom-up process for generating a policy proposal (Ruckert 2007:112). The civil society-led processes made up for some of the deficiencies of the official approach, but NGOs still dominated, and the poor and ethnic minorities from the Atlantic regions were under-represented. Later in 2001, in the sub-region of Northern Leon an important experience was carried out by civil society organisations, in conjunction with local government to develop their
own participatory poverty reduction strategy, and to demonstrate that alternative approaches could work. But neither this experience nor the alternative strategy was taken into account by SETEC in the final strategy (Guimaraes and Avendaño 2003:28). Overall, the technical units responsible for the PRS processes never envisaged opening space for negotiation with civil society (Bertelsen and Jensen 2002:145), and there was little room for alternative proposals, as detailed in Chapter Six.

The institutionalisation of participation

In spite of the disappointing outcomes from civil society participation, the passing of Laws building on the PRS process in Bolivia in 2001 and in Honduras in 2004 indicated that there were other outcomes from the PRS process that were relevant for civil society beyond 2002. The degree of activity around the PRS agenda gave an impetus for institutionalising the involvement of civil society while the PRS remained as an overarching framework for aid relations at a national level. The degree of influence enjoyed by civil society actors over institutionalisation varied greatly across these three cases. In Bolivia, the Law for National Dialogue formalised the allocation of HIPC II funds to municipalities. The Law also stipulated that a national dialogue process should be held every two years, and facilitated the establishment of the MSC to enable civil society oversight of the HIPC II funds. The MSC was an ambitious approach to participation that aimed to mirror the institutional framework of the state. It provided for the establishment of oversight committees at municipal and departmental levels for civil society to track the use of HIPC II funds and other resources, and to carry out social audit-type activities (Booth and Piron 2004:26). Holding a national dialogue every two years would be a means of guaranteeing national follow-up to the work of the MSC. A civil society directorate was formed to oversee these processes from 2002, comprised of participants from the national roundtables, more or less evenly divided between affiliates of the Jubilee Forum and of the Comité de
Enlace (Morrison and Singer 2007:734). At this juncture, civil society seemed to have achieved considerable influence over participation and policy-making for poverty reduction, with the support of a legal framework.

Civil society had less decisive involvement in the institutionalisation of participation in Honduras. The Law for the PRS fund which was passed in 2003 created a virtual fund for HIPC II resources within the national budget, ring-fencing them for use in poverty reduction measures, and created a Vice-Minister for the ERP in the President’s Office to oversee these issues. Decisions about this fund were to be made in a Consultative Council (CCERP) comprising five, and later twelve representatives from civil society, alongside Ministers from the Social Cabinet and donor observers. The CCERP offered an opportunity for civil society actors to consolidate a space for influencing public policy (Hunt 2004b:16), with the backing of a legal framework. However, the criteria for selecting civil society representatives to serve on the CCERP were poorly defined and the process was contentious in 2004 and 2005. Civil society representation in the council was initially based on an ad-hoc selection of ‘excluded’ social sectors such as women, children, cooperatives and NGOs. Later, in response to civil society lobbying, regional representatives were accepted alongside the sector-based representatives, and the Council worked to develop criteria for allocating HIPC resources (Cuesta 2005:16).

In Nicaragua the influence of civil society was effectively neutralised from the outset. The incoming Bolaños administration in 20002 made only small efforts to institutionalise participation through the reform of CONPES in 2002, however there was no law granting CONPES or any other body oversight of the use of debt relief funds (Hunt and Rodriguez 2004:15). The restructuring of CONPES removed government representatives and increased the number of civil society representations. In practice this served in fact to weaken
its power as the removal of Ministerial representatives diminished its interaction with government and left it as a Presidential advisory board (Guimaraes et al. 2004:23). The CCER withdrew from CONPES in 2003, but remained active in tracking developments around the HIPC II and PRS agenda.

The ‘death’ of participation and the PRS approach
The ostensible institutionalisation of participation accompanied the emergence of second generation PRS processes, to replace the original strategies shunned by new governments from 2002 in each case, as detailed in Chapter Six. Initially, civil society in Bolivia had considerable control over the design of a new national PRS, and the civil society directorate oversaw a new dialogue in 2003 and 2004 (Komives et al. 2004:12). This dialogue focussed on productive strategies and economic reactivation as the means for reducing poverty. A comprehensive bottom-up process was carried out at municipal, departmental and national level, producing high quality of the policy proposals and some steps towards costing and prioritising interventions. But there were no new funds to finance the new strategy, and in the intensifying political crisis, it was impossible for civil society to secure political backing for their strategy. Alongside the dialogue, a separate directorate attempted to put the MSC into operation, formalising the participation of civil society in oversight activities at local and departmental levels. However, without broad political support, the framework was isolated and its application remained uneven (Morrison and Singer 2007:733). Meanwhile the national level body for the MSC never firmly took shape due to internal tensions. In the absence of a new or revised strategy the PRS as a policy framework had already effectively ‘died’ by 2004; only the allocation of funds to municipalities remained. Overall, civil society participation in the PRS approach failed to serve as a vehicle for managing state-society interaction, and it was eclipsed by the political changes that culminated with the election of Evo Morales as President in late 2005.
In Honduras, the decision-making role of the CCERP was confined to discussions of how to target expenditure from HIPC II funds, rather than to develop policy, and remained isolated from the national budget (Hunt 2004c:6). By mid-2005 the CCERP selected a set of initial projects for implementation and allocation criteria for funds had been developed. These decisions were overridden by President Maduro in August, when he unilaterally carried out a new consultative process at municipal level. The CCERP grudgingly accepted and incorporated the new demands, but in this its role was overtly subject to politicisation. The controversy also attracted growing resentment by parliamentarians who challenged the Council’s legality in 2006 and led to attacks on civil society representatives (de Jong et al. 2007b:21-22). The political motivations of the civil society representatives were questioned, with some justification as some representatives had sought to direct allocations towards their own sector of civil society (Hunt 2006:16-17). Meanwhile, civil society had only ad hoc input into revised versions of the ERP that were presented by UNAT in 2004 and 2005, and none at all from 2006. From this point, representation on, and the work of, the CCERP was overtly manipulated by President Zelaya, and it was incorporated into a network called ‘Red Solidaria’. This was presided over by his wife, and was viewed as a clientelist machine for generating a base of political support among the poor. None of the decisions made by the CCERP were implemented, civil society representatives were discredited by association, and the PRS approach effectively disappeared from 2006.

In Nicaragua, participation in CONPES was heavily politicised under President Bolaños from 2002, and civil society input into policy-making remained ad hoc (Komives 2011:311). CONPES organised civil society monitoring of the pilot implementation of the PRS but CCER was not involved, and few meaningful outputs came from this process. A separate independent audit undertaken by a left-wing
think-tank was highly critical both of the pilot scheme, and of the role of civil society in monitoring it (Hunt and Rodriguez 2004:19, IEN 2003). New participatory processes were launched by Bolaños around the PND and the negotiation of CAFTA from 2002, but these efforts were ad hoc, selective and controlled. A general consultation around the PND took place in 2004 and 2005 at sub-national level, but it was essentially an information-sharing exercise that invited reactions, not input. Further modifications to CONPES took place in 2005, placing it at the head of a national system for participation which was extended to include territorial representation from departments alongside sector representatives (Guimaraes and Avendaño 2007:27). While this system had some promise, political polarisation and conflict at national level precluded a national-level participation in public policy, and the poverty focus had long disappeared (Guimaraes and Avendaño 2011:331-332).

In sum, civil society participation of the sort that had emerged under neoliberalism in the 1990s became prominent at national level in all three cases during the first years of the PRS process. Civil society in the PRS processes was represented primarily by national NGO platforms and allied organisations in each case. These actors were wary of the state, and of the World Bank, and contested participation from the outset, exercising some influence over the trajectory of the official processes, and carrying out parallel processes to generate alternative policy proposals. But little of the civil society input was taken into account, which caused disillusionment, fatigue and frustration, and the PRS principles of ownership and partnership were undermined. The institutionalisation of participation attempted to strengthen aspects of participation and improve relations with civil society, but failed to arrest the rapid decline of the PRS approach in each case. The structures for participation were isolated from formal structures, and the actors involved were discredited. The next section considers the extent to which donor actions were decisive in determining these outcomes.
7.3 Donors, civil society and the PRS processes

Donors introduced national participation as a condition for aid and debt relief, and also supported civil society actors in their efforts. Much of the literature on participation was driven by donors keen to better understand participation, or by critics of donors that sought to demonstrate the limitations of participation in a neoliberal framework. Technical appraisals focussed on improving donor support, however ‘reformists’ became concerned that participation in practice exacerbated the political problems the PRS approach had intended to resolve. Radical approaches went much further, charging that donor support from participation was merely a front for the deepening and expansion of a neoliberal agenda, disempowering these actors and undermining the democratic process (Craig and Porter 2003:60, Fraser 2005:328). This section explores the relevance of these arguments for explaining the experiences of participation in these cases, and the extent to which donors determined outcomes.

Donor influence on civil society and participation

Early donor assessments of participation were markedly positive:

The open and participatory nature of the PRSP process is regarded by many as its defining characteristic and the most significant achievement of the PRSP approach (IMF and World Bank 2002:21).

Previously excluded groups and actors became involved in national dialogue, and a greater understanding of the nature of poverty was viewed as a major outcome. At the same time, it was clear that the lack of clarity around what constituted participation, and what it was supposed to achieve, created incompatible expectations among different actors (World Bank and IMF 2005:27). Time pressures, technical constraints, and the absence of clear criteria for assessing participation further exacerbated these tensions (IEO 2003b:15). Reformists expressed deeper concerns around the naivety of the PRS approach about politics, and its failure to engage with structural causes of poverty and the politics of policy-making and
implementation (Lazarus 2008:1209). More critical appraisals demonstrated how participation in practice led donors to occupy political space (Gould and Ojanen 2003:62, Stewart and Wang 2003:28). Others questioned the basis for celebrating ‘incremental benefits’ from participation, warning of dangers to democracy (Brown 2004:244-5). Reports from international NGOs and the ISS studies demonstrated clearly how the participatory processes in these Latin American cases confirmed the general tendencies around PRS as theatre and ‘donorship’ (CIDSE 2005:9, Oxfam 2004:5, Vos et al. 2003:35, Vos and Cabezas 2004:5) as detailed in Chapter Six. Further concerns were raised about the political effects of participation, the depoliticisation of the debate on poverty and the erosion of the legitimacy of democratic institutions (Booth et al. 2006:16, Dijkstra 2005:460).

In these Latin American cases, treating civil society as a strictly ‘national’ actor is difficult, because of the extensive interaction civil society organisations had with donors and other international networks. When the PRS was launched in each case, official donors directly funded civil society activism and were responsible for raising the profile of national civil society actors. International NGOs acted as an important intermediary channelling national civil society demands to official donors and offering resources to strengthen civil society capacity to engage with the PRS agenda. Donors acted a mediator with state, serving as a conduit for civil society demands. International linkages gave prominence to one set of civil society actors in particular – NGOs – that had proliferated in the 1990s, as set out in detail in Chapter Five.

In Bolivia, strong ties with the Catholic Church and NGOs in Germany bolstered the capacity and influence of the Jubilee Forum at national level in Bolivia, while DFID (UK) supported the emergence of the Comité de Enlace (Eyben 2003:23). The founding members of the Honduran civil society platform, Interforos, were
heavily supported by aid from international civil society networks, including EURODAD, Caritas International and Oxfam, as well as by official donors (Seppänen 2003:44). In Nicaragua, the CCER represented a vast network of NGOs that received international support, especially to respond to Hurricane Mitch and to engage with the PRS agenda (Kampwirth 2004:71). Government resistance to participation in each case prompted belligerent responses from these civil society actors, who were backed up by donors. In response to President Banzer’s reluctance to engage with the PRS in Bolivia, civil society reacted pre-emptively and the Jubilee Forum launched an independent participatory process in early 2000, funded by donors. Donors also pressured Banzer’s government to engage with participation, and to embrace many aspects of the alternative process. Civil society in Honduras and Nicaragua publicly confronted their governments in Consultative Groups in Washington in 1998 and in Stockholm in 1999, lobbying for civil society participation in the reconstruction and debt cancellation processes (O’Neill 2000:89). As part of the Stockholm Accords signed in May 1999 donors insisted on the formation of the Commission for Participation in Honduras, while tensions with the Alemán government over corruption led donors to press for CONPES to be used during the interim strategy process in Nicaragua. In all three cases, donors served as a significant channel for national civil society actors to have some influence and leverage over the PRS process.

The manipulation and depoliticisation of participation
Donors also directly influenced the design of the participatory processes. In Bolivia, the UNDP and DFID were particularly involved in supporting the creation of the technical secretariat, and the members were drawn from a range of donor agencies, and were seconded to the state for this process (Komives et al. 2003:37-38). Donors offered extensive resources to fund the social agenda consultation, and accompanied the processes throughout the country. Donors had influence over the secretariat, and pressed for the
inclusion of a broader range of civil society actors in the later economic and political agenda consultations. NGO activism around the official process was directly supported through a multi-donor basket fund (Eyben 2003:21). In Honduras the aid response to Hurricane Mitch, and the Stockholm process, brought unprecedented coordination amongst donors, and led to the formation of the G-15. The aid agencies SIDA, DFID and UNDP worked closely with UNAT in the design of the participatory process and accompanied the sessions throughout the country. Historically, Honduran civil society organisations enjoyed far less international funding than those in Bolivia or in neighbouring Nicaragua (O'Neill 2000:98). The reconstruction effort, the PRS process and the effect of donor tensions with the Alemán government in Nicaragua, provided new flows of resources for civil society organisations in Honduras to prepare for the official participatory process (Seppänen 2003:39). DFID later funded the alternative civil society-led regional PRS processes from 2003 (Hunt 2004d). In Nicaragua donors had considerable input into the design of the participatory processes with SETEC. DFID and UNDP were prominent in broadening participation by funding the PROCONSULTA process (Guimaraes and Avendaño 2003:25). A larger group of international NGOs and official donors supported the alternative process carried out by CCER (Coordinadora Civil para la Emergencia y la Reconstrucción 2001:5).

The effects of donor activities around participation at this stage were ambiguous. While raising the profile of civil society, donors also heavily determined the participation of certain types of civil society actor over others. There was an explicit bias towards supporting participation for civil society actors that ‘promote the interests of the poor’ (McGee and Norton 2000:13-14). In practice, this approach has been criticised for facilitating the manipulation of public consultation (Brown 2004:241), and for cementing an ‘iron triangle’ of relationships around the PRS agenda between donors, technocrats in the state, and civil society platforms with international linkages.
In Bolivia, the PRS process departed from this classic characterisation because of the prominence of municipal actors in the bottom-up process around the social agenda process organised by the Technical Secretariat (Booth and Piron 2004:28). However, the national level processes were dominated by the Jubilee Forum and the Comité de Enlace, which were very close to donors.

Honduras and Nicaragua fit the classic characterisation of a top-down process dominated by this iron triangle of relationships more clearly. In Honduras, the Commission for Participation included actors other than Interforos and the consultative process was open to broad civil society participation at the regional and at national level. Still, national NGOS dominated the process and important actors were absent (Cuesta 2003:29). In Nicaragua, CONPES comprised a range of representatives, but the most vocal input from civil society came from the CCER, representing an umbrella group of NGOs. The PROCONSULTA process generated broad input, but NGOs dominated and many actors were absent (Guimaraes and Avendaño 2003:24). General appraisals talked about the ‘unfortunate omission’ of parliaments from participatory process as an ‘error’, but reviews of these cases demonstrate that it was clear that the focus on civil society had been a conscious decision on the part of donors to bypass elites (Dijkstra 2005:452-3). Moreover, political party representatives were relatively disinterested: either because of a desire to remain politically distant from a donor-sponsored process, as in Bolivia, or because it was of little importance in prevailing political dynamics, as in Honduras and Nicaragua (Booth et al. 2006:17-18).

The emphasis on NGOs, and local government representatives, was an attempt to reach the poor, but was also used to avoid traditional political dynamics that threatened to capture the poverty agenda, and the associated resources. As described in detail in Chapter Six, the
approach to participation taken by the technical units aimed to generate consensus and avoid ‘contamination’ by politics. In practice, these factors undermined the quality of participation because in effect participation was restricted to one set of actors close to aid; the agenda for consultation was pre-defined by the state; and the scope for influencing the state, through the technical units, was extremely narrow. In Bolivia, municipal-level participation contributed to the consolidation of decentralisation, yet the attempt to avoid including national organisations was interpreted as an attempt to control and attenuate civil society participation, by isolating the process and the agenda from mainstream politics in the context of social mobilisations in 2000 (Urioste Oct 2009):

> The whole PRS was managed in a very sterile way, so that it would not be contaminated by political issues, and this is very strange in the history of Bolivia.

Although street protests and blockades led by social movements paralysed government throughout 2000, the national dialogue was not conceived of as a space for resolving conflicts (Woll 2006:5). As a result, the national dialogue became a side-show for donors, that distracted from more pressing issues (Molenaers and Renard 2005:155).

In Honduras, there was a deliberate attempt to create a new kind of participation at national level, and the engagement of Interforos with the process gave it a legitimacy that previous spaces had previously lacked (Bertelsen and Jensen 2002:94). Yet in the attempt to define a consensus on a pre-defined draft strategy, the PRS process effectively depoliticised the debate on poverty and it remained isolated from party politics and other political negotiations, eventually leading Interforos to withdraw (Seppänen 2003:52-3). In Nicaragua consultation in the PRS through CONPES was deliberately isolated from both the polarisation of party politics, and other public policy issues, while representation was carefully balanced between different political forces. As a result participation was ‘sterilised’ and became tantamount ‘social control’ (Bertelsen and Jensen 2002:145). The
CCER struggled to employ an effective strategy to counter frustration among its members that civil society was being manipulated politically (Bradshaw and Linneker 2003:153).

**Donor inconsistencies**

The role of donors supporting civil society activism also directly affected the expectations of civil society leaders and participants in the process. Close supportive relations also fostered the perception among these civil society actors that donors would back up civil society proposals when they were presented to the technical units for inclusion in the elaboration of the final strategies. The bottom-up emphasis of donor support to civil society actors at times contrasted sharply with the top-down, technical approach to elaboration; yet different officials, or departments, within the same donor agency often advocated both approaches simultaneously. There was a growing awareness of the disconnection between the discourse of the participatory events and the technical focus of elaboration. To overcome this, donors negotiated directly with the technical unit for changes to the final strategies. However, there was little coordination among donors in this process for prioritising among their own programmes, let alone for prioritising demands made by civil society. In Bolivia, this led to a ‘Christmas tree’ effect where all donors got to add in what they wanted (Booth and Piron 2004:24). Similarly in Honduras, a last-minute round of consultations exclusively with donors led to additions, while in Nicaragua donors demanded that a whole chapter on governance be added into the final version (Guimaraes and Avendaño 2003:29).

Although the input from donors was fragmented, the collective impact was that donor influence on the final content of strategies was heavily evident, while the influence of civil society was relatively low in these cases (Vos et al. 2003:31). For critics of the PRS, and for civil society, these outcomes confirmed the idea that ‘donorship’ had
crowded out national actors and undermined ownership of the PRS strategy in these cases. These experiences revealed inconsistent interpretations of the PRS agenda among donors, and even contradictions within agencies. The UNDP and European donors such as DFID (UK), SIDA (Sweden), DANIDA (Denmark), GTZ (Germany) and COSUDE (Switzerland) were particularly prominent in promoting the participatory aspects of the PRS approach in these cases, serving as a ‘friend’ to civil society in this period. Yet even these agencies which had supported civil society participation, and which had funded parallel processes, approved the official PRS in spite of the critique that it did not represent civil society participants’ input (Dijkstra and Komives 2011:37). From a civil society perspective, this was duplicitous behaviour by donors, who spoke about participation to civil society, but reverted to traditional conditionality in dealing with the state (Seppänen 2003:41, Booth et al. 2006:21). Civil society leaders felt betrayed by donors as much as by their own governments. In this sense, donors were responsible for directly raising expectations but there was no single approach from donors towards poverty reduction, and there was no shared understanding of what groups constituted civil society, or what participation was supposed to achieve. As a result, even within the ‘iron triangles’, the PRS process failed to enhance relations between the state and civil society.

Participation as ‘neoliberal hegemony’?
Civil society actors reacted angrily to the final strategies in each case. In response, the technical units protested that pressure from donors, and high technical standards had made the inclusion of civil society inputs difficult. Donors also emphasised that the proliferation of proposals from civil society made prioritisation more complicated (IMF and World Bank 2002:24). From a critical perspective, these arguments reflected the bias of the World Bank and the IMF, and ultimately the collective donor community, towards technical knowledge (Oxfam 2004:8), and ambivalence about ‘non-expert’
views (Gould and Ojanen 2003:51). These cases also confirmed that for donors, participation was useful for improving the quality of poverty diagnostics, but there was little scope for governments, let alone for civil society to depart from the policy ‘script’ (Stewart and Wang 2003:16). In the Bolivian case, the production of high quality proposals by civil society, the deliberate separation of technical elaboration from the participatory process and the overt, collective influence of donors on the content of the EBRP weakened these technical arguments (Komives et al. 2003:40). Moreover, the multiplicity of demands from donors, as much as those from civil society, frustrated the technical elaboration process (Requena Oct 2009):

Civil society is not homogeneous, and there were no concrete proposals about how to deal with trade-offs. It is not correct to assume we are talking about a homogeneous civil society – to a certain extent all sectors have their own interests. The donors are the same – X and Y each wanted to have things that they wanted and at times they were opposed to each other, there was no uniform vision.

In Honduras, arguments were made that civil society was too fragmented and suffered from ‘technical illiteracy’. Some ‘professional’ civil society organisations such as FOSDEH, partly accepted these arguments, but also accused UNAT of using this to justify the exclusion of any heterodox proposals (Cuesta 2003:37). In Nicaragua SETEC was dismissive of the technical capacity of civil society from the outset (Bertelsen and Jensen 2002:113). When CCER rejected the ERCERP, SETEC then protested that the HIPC II timetable had led to the exclusion of PROCONSULTA and CCER proposals. But a year later no modifications had been made to include them, which lead to further accusations of political manipulation (Guimaraes and Avendaño 2003:29). In practice, technical illiteracy arguments gave credence to radical arguments that the PRS approach served primarily to reinforce neoliberal hegemony.
There were political effects, as the backlash against these arguments was aimed at governments, which were perceived to have used them as a cover for the political manipulation of participation. In Bolivia, for a broad range of civil society actors, the content of the EBRP proved that the dialogue was a parody, and reinforced the lack of credibility in the government of the time (CEDLA 2001:29). In Honduras grassroots organisations were cynical about participation, dismissing the entire process as an exercise in manipulation (Cuesta 2007:353), and similar arguments were made in Nicaragua (Komives 2011:308). Within civil society, the initial momentum behind participation, and the PRS process, diminished dramatically and were increasingly engulfed with disillusionment and fatigue by 2002. Yet it is far from clear in these cases that donors managed to assert a neoliberal hegemony through participation, since in all three cases the final strategies were rejected by incoming governments in 2002, and donors struggled to pressure new governments to engage with the PRS. By this stage, official appraisals of the PRS processes pointed to shortcomings with participation. Issues with evaluating participation, civil society capacity, and the need to integrate participation with existing structures were highlighted, but no clear united approach to reform emerged. Expanding participation to include parliament was advocated along with improving local participation in monitoring and evaluation through decentralisation (Lobb 2005:41, Driscoll and Evans 2005:12-13).

Civil society actors in each of these cases were more sceptical of what the PRS process might deliver; however they continued to use donors as a conduit for pressuring for change. Donors also continued to offer resources to civil society actors to engage in the PRS agenda at local and national level, through basket funds. The Law for Participation was passed in Bolivia in 2001 partly in response to donor pressure, and offered a framework for institutionalising participation. For civil society, the Law was perceived as a major victory for all the activism around the HIPC initiative, and according to the director of the
Jubilee Forum, international links were instrumental (Nuñez Nov 2009):

It helped a lot that the Jubilee Forum process had been accompanied by international networks – these were issues that the government had no clue about. [President] Tuto Quiroga was now in power, and we had influence in Washington. He was going there to get money but the IFIs were also listening to us – and for Tuto it was more important what was going on outside than within Bolivia. All he wanted was for the plan [for the Mechanism for Social Control] to please the donors.

Donors such as UNDP and DFID gave considerable technical and financial support to municipal governments to strengthen their capacity to effectively channel HIPC resources. Donors were also heavily involved in establishing the membership of the civil society committee to set up the MSC and in overseeing the design and implementation of the 2003/4 National Dialogue (Komives et al. 2004:16).

In Honduras, donors welcomed the establishment of the Law of the PRS Fund, and the CCERP in 2003 since it offered a way for donors to observe civil society oversight of the use of HIPC resources. In order to support civil society participation in this national space, and in local government, from 2004, international NGOs and some official donors began to contribute to a multi-donor fund for civil society participation (Hunt 2004c:14-15). The CONPES in Nicaragua had predated ERCERP and was promoted by donors as an effective way of integrating continued participation, and President Bolaños also hurriedly introduced a Law for Citizen Participation and decentralisation legislation, which were also supported by donors (Guimaraes et al. 2004:23). However, the reform of CONPES led to overt politicisation and the CCER withdrew. Support continued for civil society activism, but the promise of strengthening participation through institutionalisation diminished at an early stage in Nicaragua.

The activism around institutionalised processes in Bolivia peaked in 2003/4 and in Honduras in 2004/5 but in both cases civil society
representation was undermined by internal tensions, and never enjoyed the same prominence as the first participatory processes. The most serious issue was that these forms of participation remained isolated and parallel to other formal institutions and policy-making processes and were entirely reliant on donor pressure and resources to function (Eberlei 2007:4). At the same time, participation began to be viewed as problematic for the aid agenda, and donors openly diverged. In Bolivia, there were concerns that participation raised expectations among the population that exceeded the capacity of the public sector (Steinberg and Cavassini 2005:1); in Nicaragua, participation was seen to bypass formal structures in a potentially damaging way (IEO 2003a:14,26). More generally, as set out in Chapter Six, participation was no longer seen as ‘opportune’ in the development of strategies (Dijkstra and Komives 2011:57). Unseemly disagreements among civil society organisations revealed internal weaknesses and conflict, and the funding motives, capacity and representativeness of NGOs began to be questioned. Donors offered some resources for resolving conflicts, but the initial allure of dealing with civil society wore off when the political complexity was revealed, which had happened early on in Nicaragua. By 2005, in all three cases the PRS was being eclipsed in national agendas, support to civil society from donors decreased, and participation became a secondary focus. There was a quiet retreat from the grand ambitions of the PRS approach and lesser goals of strengthening accountability and transparency were espoused.

The effect of donors’ shift away from participation at national level was most keenly felt by the civil society actors that had been prominent in the PRS processes. A residual approach to participation robbed civil society actors of the leverage they had enjoyed during the early years of the PRS approach. In this sense, these actors were relatively disempowered, and became discredited at national level by association with donors and the PRS approach by 2006. To a certain extent, civil society actors were ‘distracted’ by participation to focus
on HPIC resources, away from other political issues. However, these cases offer little to support the idea that a form of ‘social control’ was successfully engineered by donors (Komives 2011:315). While some civil society actors engaged with donors, the donor agenda, and with a deeply mistrusted state in each case, careful strategies were employed to attempt to use the PRS as an opportunity for achieving greater influence. The depoliticised, technocratic approach to participation, and the orthodox, neoliberal content of the final strategies was consistently contested. With the failure of the strategies to take root in national politics in new administrations from 2002 onwards, donors achieved relatively little of the direct aims of the PRS approach through promoting participation, and it became increasingly irrelevant. The nuances of donor interactions in these three cases offer insights into competing interpretations of participation, and underline the naivety, and inconsistency of the PRS approach in practice. Clearly, these factors contributed to the limited and ad hoc achievements of participation, but ultimately the experience of civil society was eclipsed, or succumbed to other political dynamics in civil society and state-society relations, pointing to the deeper issues in the broader political context (Booth et al. 2006:18).

In sum, donors were instrumental for civil society participation in the PRS process in each case. Donors contributed to raising the profile of certain civil society actors, mediated between government and civil society by pressing for greater participation and also raised expectations among civil society about what participation in the PRS might deliver. Donors privileged the participation of certain civil society actors and were responsible for the exclusion of parliaments, limiting involvement in the process. Inconsistencies among donor approaches to participation led to a disconnection between participation and the technical elaboration of strategies, although donors heavily influenced the final content. Donors approved the final strategies even though civil society input from the participatory
process was largely ignored. Ownership was not generated, and the relations between these civil society actors were antagonised rather than strengthened, and caused great disillusionment. After 2002 donors continued to support civil society and the institutionalisation of participation, but conditionality relating to participation was quietly dropped. Inherent ambiguities in the PRS approach about civil society and participation, and donors’ contradictory actions contributed to the chaotic and ad hoc evolution of participation, and to the civil society actors involved becoming discredited. However, in these cases the disappointing outcomes could not be interpreted as a successful engineering of hegemony through social control, since donors achieved little of the direct aims of the process in each case. The reach of donor influence was contested, and limited, and outcomes were principally determined by factors beyond donors’ control. The next section investigates the broader political context of civil society, as well as the political impact of participation in the PRS process, in order to identify the limits of donor influence on civil society and state-society relations and to reveal key features of civil society in this period.

7.4 Politics and civil society in the era of Poverty Reduction Strategies

Participation in the PRS process offered new space and influence for a set of civil society actors close to donors, but this did not extend to involve political parties or other ‘traditional’ civil society actors in these cases. The civil society actors involved contested the donor-driven approach, and the actions of the government throughout the process. However, the channels for influencing the state and donors were narrow, and did not involve governments as a whole, and as a result the outcomes from activism were weak. Donors dominated the policy space occupied by the PRS, but this never became central to national public policy, highlighting the limits of external influence.
Participation around the PRS agenda was institutionalised, but this interacted with traditional forces and practices, which were described in detail in Chapter Five. This section seeks to build on that analysis, and to analyse how the PRS process, especially participation, interacted with the broader context of political dynamics, and what it reveals about civil society, and change, in the period from 2000 to 2006 in these cases.

**Competing political dynamics**
In part, the PRS process was introduced in response to weaknesses in the state, and the weak incentives provided by formal democratic systems to political leaders to reform the state and to pay sufficient attention to poverty issues, all of which undermined aid effectiveness (Booth et al. 2006:6-7). However, the PRS never attracted the full attention of political leaders, state institutions, or even all civil society actors, and there were other political party dynamics that threatened to eclipse the PRS approach from the outset in each case. Bolivia embarked on the PRS process in a context marked by an acute economic crisis, a deepening political crisis and growing social mobilisations and protests. The political party system was characterised by complex systems of patronage and coalition horse-trading, which precluded the successful channelling of civil society interests (Booth and Piron 2004:9). The government faced unrest through a range of informal channels and seemed increasingly incapable of providing a coherent response to the crisis (Crabtree 2005:10). Business groups were divided over the ongoing crisis and channels of patronage were disturbed, destabilising the weak coalition behind President Banzer (Silva 2009:123). Cuts to public spending and reforms of the pension led to trade union mobilisation; teachers and pensioners were mobilised around the effects of cuts while coca-growers were increasingly belligerent in their protests against the coca eradication policies (Hylton and Thomson 2007:101). The Catholic Church and NGOs were aggressively anti-government in international discussions about debt cancellation, and
were outspoken in their cynicism about the capacity of the state to oversee a new participatory process. In this context, the government was reluctant to engage in participation, but were pressed by donors which viewed the PRS as an opportunity to diffuse growing political tension (Booth and Piron 2004:22) and to build on the positive experiences of decentralisation in the 1990s.

In contrast to the political chaos in Bolivia, and in spite of the crisis caused by Hurricane Mitch, the two-party system in Honduras remained strong in this period, although elections remained characterised by a system of ‘spoils’. Informal influence from business elites with international connections was consolidated through the ‘concessional state’, even after democratisation and neoliberal reform (Seppänen 2003:19-21). The national business association, COHEP enjoyed strong links with both political parties, and was one of the few non-state actors that provided a transfer of leaders to politics (Boussard 2003:222-3). In late 1998, even as parliament discussed the response to Hurricane Mitch, legislation was swiftly passed granting concessions for exploratory mining to foreign companies, over vast areas of national territory, clearly favouring business interests. In this first year of office, Liberal President Flores had accommodated demands from teachers unions, by increasing wages, thereby neutralising a source of political tension for the remainder of his government (de Jong et al. 2008b:4). The national peasants’ association was effectively divided at national level and did not pose a threat to party dominance (Biekart 1999:195). At local level, decentralisation was weak and spaces for participation were few and effectively captured by local party dynamics. After Hurricane Mitch there was a growing openness to participation from external actors, through aid, and to other non-state actors that had grown in the 1990s (Seppänen 2003:28). At the same time, the formation of the Commission for Participation in the context of the Stockholm Declaration and the PRS approach did not threaten dominant interests.
In Nicaragua, the revolution had left a legacy of political polarisation that became consolidated, and more complex, by the end of the 1990s. Although the Liberal President Arnaldo Alemán caused concern because of tensions with the IMF and growing evidence of corruption, this was not sufficient to generate an elite-led opposition, as business groups retained an inherent antipathy towards the Sandinistas. Meanwhile, from 1997 Alemán negotiated with Sandinista leader Daniel Ortega to extend and entrench the dimensions of the political pact (Anderson 2006:155, Deonandan 2004b:190). As a result, appointments to all formal branches of government became politicised, and influence over government was mediated by negotiations around the pact. Spaces for participation, and civil society organisations, were caught up in these dynamics. The mobilisation power of actors such as trades unions was controlled by the Sandinista party, and used for leveraging power by Ortega. Alemán undertook a systematic onslaught on the civil society freedoms introduced by the Chamorro government, displaying intolerance for dissent and opposition and curtailing the freedom of the press (Close 2004:9). At local level, the Sandinista party organisations remained strong but space for genuine participation was limited, since Ortega extended centralised control, and Alemán worked hard to cultivate support in rural communities. The growing NGO community was viewed collectively as ‘opposition’ and suffered sustained attacks from 1997, through legislation, taxation and public denouncements from the President (Kampwirth 2004:69-70, Montenegro 2002). This attempt to directly control NGOs was facilitated by implicit support from Ortega under the pact. In this context the demands of the Stockholm Accords to open space for participation to these civil society organisations were overtly resisted by the government, and the creation of CONPES was viewed as a ‘show’ (Deonandan 2004a:47-8).
The politics of civil society engagement

The civil society actors that engaged with the PRS in each had a mixed heritage. Activist civil society organisations retained hostility towards the World Bank and the IMF as a result of the social impact of neoliberal reform in the 1990s and retained deep mistrust of political elites and antipathy to the state (Bertelsen and Jensen 2002:113). In Bolivia, although the official process took place primarily at local level, NGOs, and civil society platforms were prominent participants in the national roundtables. The Jubilee Forum retained prominence because it had pre-empted the official process, building on the extensive role of the Catholic Church in local service delivery. This antagonised the government, but also caused resentment from other civil society actors, including national policy-based NGOs. In part, this led to the emergence of the Comité de Enlace that contested the dominance of the Jubilee Forum, and produced its own proposals. More radical activists and social movements, especially the trades unions and the indigenous platform, CSUTCB, were cynical about all of these actors perceiving them to be co-opted by ‘neoliberal forces’, and were dismissive of participation, since the state had little credibility (Aguirre and Espada 2001:16). As the political conflict intensified in 2000, the Catholic Church had considerable influence at national level, mediating between the state and social movements (Eyben 2003:17, Molenaers and Renard 2005:146); and the Comité de Enlace also made attempts to mediate solutions to the political stand-off from 2000 (Chaplin 2003:38). However, neither platform attempted to attract the political support of existing political parties or the social movements.

In Honduras, Interforos built on a tradition of social activism that dated from the 1970s. The most prominent actors had roots in the Mennonite social justice tradition and the liberation theology of the Catholic Church at local level. Hurricane Mitch served as the catalyst that gave the ‘activist’, European-funded strain of the NGO sector
ascendancy over more apolitical actors. Interforos aggregated NGOs that had a critical perspective on neoliberalism, and those which had inherited the anti-state discourse of the 1970s and the human rights focus of the 1980s. Other more passive local development organisations became involved, and became more critical. The scale of the crisis injected urgency, and an impetus for collective action that was conspicuously absent from Honduran civil society previously (Cuesta 2007:337, Cálix Rodriguez 2003:12). This extraordinary degree of convergence among civil society actors was contingent and precarious from the outset. Internally, the member organisations were highly heterogeneous, and there were latent divisions among them pertaining to social class, levels of education, religious differences, and urban-rural divisions (Seppänen 2003:55-6). Interforos remained outside the party system, and removed from the large peasants associations and trades unions that had long-established patterns of interaction with political parties. This guaranteed autonomy, but also left the organisation vulnerable, and with limited capacity to form broader coalitions to further an agenda for change. Bipartisan dynamics in Honduras traditionally co-opted and accommodated new social forces, and political mechanics tended to channel funds to clientelist networks of specific interests (Cuesta 2007:334). The critical function of challenging these dynamics came from the small parties at the margin of Congress, and these ‘new’ civil society organisations, which were viewed as political opposition (Boussard 2003:220-1). As a result, the high profile of Interforos after the Stockholm conference in May 1999 provoked suspicion and hostility from the government.

The emergence of the CCER in Nicaragua was supported by donors, but its rapid consolidation as a national umbrella organisation was testimony to the relative strength of civil society and its activism, which was a legacy of the revolution (Bradshaw and Linneker 2003:148, Booth and Richard 2006:132). Along with service delivery and campaigning, the CCER attracted affiliations from leading
researchers that produced important analysis of debt issues. Yet at the same time, the continued echo of disillusionment, and dissent within the Sandinista movement, gave civil society leaders a keen awareness of political limits. The activist sector of civil society had stagnated by the late 1990s, even with the emergence of the CCER. Strong NGOs suffered from the lack of alternation in leadership, vertical tendencies and a fatalistic view of politics (Montenegro 2002). While ostensibly autonomous, members of the CCER were implicitly aligned to the Sandinista party, making genuine critique difficult. Trade unions and small producer associations had a bigger struggle for autonomy, tending to be manipulated by political strategies of Ortega (Grigsby 2005), while the peasant movement became atomised. The Church became enmeshed in the politics of the pact by becoming involved in the scandal over Ortega’s alleged abuse of his stepdaughter, and by attempts by Alemán to subordinate all NGOs working with women and children to policy as directed by the Church and the Ministry of the Family (Deonandan 2004a:55). In this context, the founding of the CCER was interpreted as a successful defensive move, with considerable backing from international NGOs and official donors. This resulted in direct competition with the government for aid allocations post-Mitch, and heightened tensions (Kampwirth 2004:70-71).

Participation and state-society relations in the PRS process
In spite of government hostility, these civil society actors demonstrated a willingness to engage with the state in the PRS that more radical or more ‘traditional’ forces did not. Moreover, these organisations demonstrated an ability to act when the state could not, whether in response to social unrest, or to a disaster like Hurricane Mitch, which undermines charges that NGOs were simply self-serving or seeking to capture resources. There was also a keen awareness of the risk of political manipulation associated with participation. Within the space provided for participation, the technical units in each case sought to depoliticise participation, and
to manage the expectations of civil society while donors heavily influenced and limited the composition of participation, as detailed in the previous section. In each case, civil society organisations contested the neoliberal approach to poverty and participation; however political efforts to circumscribe the scope and breadth of participation in each case represented a more fundamental challenge to effectively engaging with the state.

In Bolivia, the apparent depoliticisation of participation, by focussing on local participation, was interpreted as a political strategy by leaders that sought to isolate the process from ongoing unrest. At local level, the Law for Popular Participation had opened space in local government for actors that had traditionally been ‘anti-state’, and had eroded the control of parties and patronage at local level in an unanticipated way (Gray Molina 2003:351). For those designing the official participatory methodology for the 2000 National Dialogue, municipal participation offered a way of circumventing the centralised control of unions, peasants associations, indigenous groups and even the influence of the Catholic Church. It was also an attempt to offer something to counter the escalating social protests and to pacify social forces (Gómez Oct 2009):

... HIPC and the PRS approach had the idea of attenuating social demands. The overall element was to resolve policies at a technical level and also with participation and a poverty focus people would calm down. As such the HIPC process was not to empower but rather to co-opt the social sector.

According to another interviewee, participation was carefully engineered, even at local level (Pérez, Oct 2009):

Civil society – no it was more the state at local level that participated – many representatives were from social organisations but they were within municipal government too. This level is notoriously politicised, the [Jubilee] process came from those who were at the margins, church and NGOs. [In the official process] many from the unions, participated at local level but there was no articulated participation from local to national levels, only in the final roundtables and the closing event ... Even the representation coming from local level was manipulated politically, evenly divided between political forces.
The impact of perceived manipulation was to further alienate radicalised civil society actors at national level, to create disillusionment among those that had engaged, and to undermine the credibility of the government and its capacity to respond to demands (CEDLA 2001:25-26).

In Honduras, the context was less politically convulsive, but participation was manipulated from the outset. When pressed by donors at Stockholm to include civil society participation in the reconstruction effort, the Flores selected FONAC, viewed as a ‘rubberstamp’ for government. Only in response to further pressure, was space made for the Citizen’s Forum and then for Interforos in the Commission for Participation. However, the potential for radicalism in the Commission was attenuated by the presence of the Chambers of Commerce and the municipal mayors’ association AMHON. The smaller, more critical Citizen’s Forum left the Commission at an early stage, dissatisfied with the nature of the space (Boussard 2003:241,245-6). Other more politicised actors, such as the trades unions and the peasants associations were not substantively involved, and the isolation of the PRS from other public policy process limited the protagonism of civil society participation. The technical approach tended to confirm rather than allay civil society fears of manipulation (del Cid Jan 2009):

.. Nor was consultation with civil society a great mechanism. Incorrect procedures were followed on both sides so the relationship between government and civil society became very confrontational instead of collaborative.

In April 2001, Interforos withdrew from the space claiming that the Commission only served to validate government proposals, and that there was no scope for civil society to influence policy (Bertelsen and Jensen 2002:102).

From the outset there was a sense of the impossibility of participation in Nicaragua because of the extreme polarisation of politics. Moreover, President Alemán’s ongoing crusade against NGOs
coloured the entire process. Nonetheless the CCER engaged with CONPES out of a sense of responsibility and because it was viewed as an opportunity to gain influence. Antagonism grew throughout 2000 as CCER persistently campaigned that the government was too corrupt to manage reconstruction, while public attacks were made on CCER leaders from politicians and in the media (Bradshaw et al. 2002:19-20). In this context, the participatory process was designed not only to isolate participation from ‘contamination’ but also to contain the process from generating conflict between the state and civil society. Although the CCER was extremely concerned that the government would continue to restrict participation, the decision was taken to remain engaged in the process in order to retain some influence (Bertelsen and Jensen 2002:103). However, by 2002, the ‘sterilisation’ of participation left little room for genuine influence (Muñoz Jan 2009):

Political parties and governments do not take CCER proposals seriously – they see them as competition... while the principle of autonomy is maintained ... civil society is viewed as opposition by parties and the state, so they disqualify civil society organisations, and their proposals.

Civil society activism became subordinated to the politics of the pact, reinforcing cynicism and disillusionment.

The PRS as a vehicle for policy change
Overall, participation in the PRS failed to make inroads into the formal channels of political parties in parliament. Many civil society actors remained sceptical and disinterested, and other informal channels retained greater influence over the state than the PRS process. In Bolivia, the ‘Water War’ in Cochabamba from April 2000 involved an array of social movements and forces which mobilised against the government. The demands of protesters stretched far beyond privatisation of water systems, extending to reform of the political system itself. The state responded with force, but eventually the government was forced to negotiate, and to make important concessions to the protestors in October 2000 (Hylton and Thomson 2007:105). From this point, the perceived victory of mobilisation
shifted the primary focus of state-society relations to the streets, away from well-established informal channels of negotiation, and the party system which was on the edge of collapse. Spaces for formal and ad hoc participation at local and national level declined in importance (Woll 2006:4-5). Activism around the PRS agenda presented yet another challenge to the government, and in this context President Quiroga introduced the Law for National Dialogue in 2001. This was viewed as a major concession to the civil society organisations involved in the PRS, and also for appeasing local governments (Aguilar 2009):

Why was the Law drawn up? Because politically, at this moment the government was corroded, and this Law in 2001 was a concession and an attempt to break corporate relations [by dealing with the municipalities].

In the general elections of 2002 however, none of the established parties had any interest in taking up the PRS, since association with the IMF made them a target for protests. The results of the election further isolated the PRS agenda from parliament, as the new Movimiento al Socialismo (MAS) won 40 percent of vote and seats in parliament in the 2002 elections (Assies and Salman 2005:292). This party emerged from social movements’ activism and was characterised by indigenous identity and opposition to neoliberal economic policies. The result was much more than a punishment vote against the dominant parties, and signalled a fundamental realignment of the party system. As a result, the basis for a governing coalition among the diminished parties that had dominated politics since the 1980s was extremely fragile. In 2003 and 2004 efforts were made by the Jubilee Forum and the Comite de Enlace to bring the MCS into operation, and a new National Dialogue was carried out. However, there was little political interest in spearheading this agenda when Evo Morales of MAS and Felipe Quispe of CSUTCB were holding the government hostage on the streets (Hylton and Thomson 2007:117). For these leaders, the PRS approach was fatally associated with neoliberalism, and it disappeared. Moreover, the PRS
approach did not offer a way to resolve national political conflicts, and was therefore eclipsed.

In Honduras, civil society remained engaged with the PRS agenda, but its sustainability was undermined by the change of government in 2002. Incoming President Maduro had little interest in a strategy that belonged to the previous regime. The spirit of participation that had characterised the reconstruction effort and the PRS was obscured when President Maduro carried out a ‘Great National Dialogue’ in 2003, which was headed by FONAC, but did not involve members of Interforos (Cuesta 2003:24). Meanwhile, antagonism between teachers unions and the government over changes to public pay led to further strikes. The renewed attention to the PRS strategy from late 2003 can be seen as a political strategy to appease the NGO sector, and the IMF, and to distract attention from the teachers’ disputes.

Civil society representation on the CCCERP was heavily controlled by government and activities were limited to oversight of HIPC II resources. Once representatives attempted to exercise power and negotiate a distribution of HIPC resources, political resistance emerged (Hunt 2005a:14). In late 2005, President Maduro carried out yet another national consultation process, right at the end of his term, generating 25,000 local proposals competing for HIPC funds. This was viewed as a populist attempt by Maduro to leave office with ‘credit’ for the HIPC resources at local level. In this way, participation in the PRS became embroiled in the Honduran electoral cycle (de Jong et al. 2007b:20). The ‘road-trip’ effectively dispensed with the entire work of the CCERP to date and undermined its credibility (Hunt 2005b:12). UNAT and the CCERP attempted to reconcile the municipal demands generated by the new consultative process with the existing framework, but in effect this was a parody of a decentralised approach to participation. In early 2006, deputies in Congress protested that the CCCERP had no legal mandate for
making decisions about public resources, and effectively asserted control over the process, and the work of the CCERP was abandoned (Hunt 2006). The attempt to bypass entrenched clientelism had failed because it operated in parallel to formal systems; and the moment that participation threatened the interests of the bipartisan system, the CCERP was effectively neutralised.

In spite of the political limits to participation in Nicaragua, the work of CONPES was viewed as a positive step towards establishing an institutional framework for participation, building on the incremental gains of the 1990s (Grigsby Jan 2009):

... [the PRS process] gave a forum for discussion which went even down to municipal level for the discussion of public investment plans. A new institutional arrangement between state and society was emerging gradually, and discussion of public policies became a `given'.

The launch of the PRS process in 1999, and the subsequent process for developing the PND meant that civil society enjoyed a clear agenda for engagement, which had not been present since the end of the conflict of the 1990s (Jarquín, Jan 2009):

..In many ways [civil society] benefitted because each administration had just one central document as the focus of their critique.

However, the incoming Bolaños regime in 2002 had little time for accommodating civil society actors. Reforms to CONPES effectively neutralised the potential for influence, and the CCER withdrew in face of overt politicisation. Most importantly these spaces never impinged on the prevailing dynamics of the pact at national level, and neither the PRS nor the later PND involved parliament. In 2002, Bolaños reversed many elements of the assault on NGOs that had taken place under Alemán.

A tacit alliance between NGOs and the Bolaños government was crucial in securing parliament’s support to strip Alemán of immunity, and to have him stand trial for corruption charges (Anderson 2006:158). However, the alliance was only temporary, and familiar
antagonism resurfaced when Bolaños authorised the bailing out of the banks. This was perceived by civil society as tantamount to converting the cost of corruption into public debt (Dye and Close 2004:134). After this, Bolaños tended to ignore civil society altogether, whether critiques from NGOs or the widespread protests that characterised his troubled period in power. Protests were led by an array of sectors including teachers, transport workers, civil servants, indigenous groups, banana workers, University students and War Veterans (Guimaraes and Avendaño 2006:4-5, Isbester 2010:31). Nonetheless, Bolaños introduced an institutional framework which offered greater space for participation at municipal and departmental levels (Guimaraes and Avendaño 2007:27), re-energising participation at sub-national level. But civil society was only offered the opportunity to react to rather than to influence policies, and in some cases, especially in Managua, politicisation persisted (Howard and Serra Vasquez 2011:69). Importantly, representation at national level in CONPES remained politicised, and the PRS agenda was unilaterally replaced by the PND, eschewing a poverty focus and dismissing civil society proposals. Ultimately, CONPES ran in parallel to parliament and was subject to the political will, and limited capacity, of the President, leaving little room for genuine consultation.

The internal politics of civil society engagement
In all three cases after the initial high-point of participation and the prominence of these civil society actors in 2000 and 2001, once the final strategies were produced the PRS became rapidly subsumed by political dynamics. The approach retained some relevance because there were resources attached to the process, and because of the institutionalisation of participation at national level. However, there were latent divisions among these civil society organisations, which were revealed most clearly as political influence ebbed. In Bolivia the Jubilee Forum had a lot of power in the initial stages of the PRS process, and challenged the government. The alternative
participatory process played an important role in drawing attention to the real issues of concern to Bolivian society (Nuñez, Nov 2009):

The Jubilee process identified the major issues facing the country, that are the issues today in the national agenda: natural resources, land ... This was the value of the process: it opened discussion not just for a PRS but for all the major issues of the day. The people expressed their concerns around corruption, the party system and their frustrations with 1997 National Dialogue. From this came the demand for social control and the Jubilee Forum designed the first attempt at the Mechanism for Social Control, in response to the people’s demands.

The intense lobbying to secure the Law for National Dialogue in 2001 demonstrated the belief of the Jubilee Forum that elements of the national dialogue approach were worth preserving, if civil society had autonomy to control the process. However, this drew accusations from parliamentarians, and other civil society groups, that the movement only sought to control the HIPC II resources, to replace the state, and to dominate other social actors. The Comité de Enlace contested leadership of the civil society directorate that would oversee the 2003/4 National Dialogue and the implementation of the MSC. This dispute was resolved legally through the intervention of two donors, GTZ and DFID (Eyben 2003:21, Komives et al. 2003:90-91), but the consensus achieved was an illusion and infighting undermined legitimacy (Morrison and Singer 2007:734). Moreover, little attempt was made to extend involvement to the social movements, who had no interest in engaging with the residue of what was perceived to be a 'neoliberal' process, and this was decisive (Urioste Oct 2009):

The Catholic Church was an important actor in achieving cancellation in the first place and in raising debate around where the resources would go – but in the end it played an excessive role, to a certain extent replacing civil society, and a grave error on their part was to eliminate all political actors from the process, no one with political links was included. This meant that the MSC was born without leaders or actors that would fight for it, and so it became depoliticised. Non-political actors emerged to form part of the directorate of MSC, but they lacked leadership, capacity and opportunities to carry it forward. In the end MSC played a mediocre role with little innovation, it did not even manage to get social recognition.
Meanwhile, social movements on the ground managed to overcome their differences, and negotiated a united front in 2005, facilitating the election of a MAS majority in parliament, and the election of Morales as President (Hylton and Thomson 2007:123-7). The new government rejected the entire neoliberal discourse, and the actors involved with the PRS were discredited as a result.

The unity and collective power of Honduran civil society reached a high point in 1999 in response to Hurricane Mitch, and with the formation of Interforos and its inclusion in the Commission for Participation. Nonetheless, the momentum of unity was strained once engagement with the state began in 1999. Members became divided over how best to respond to perceived manipulation by the state, and how to retain autonomy. More generally, the burden placed on these civil society to produce a national policy consensus was overly ambitious in a country characterised by deep political polarisation (O’Neill 2000:91), and a party system that had historically divided and neutralised ‘traditional’ civil society actors, weakening their national power (Cálix Rodriguez 2003:13). The collapse of Interforos in 2003 revealed important cleavages among ‘activist’ civil society: the Citizen’s Forum left the space early, dissatisfied with the potential for change; professional, policy-driven organisations such as FOSDEH became frustrated with the slow progress of internal discussion; while some of the bigger, grassroots organisations were offended by the top-down, dismissive approach taken by some members of the Interforos leadership (Seppänen 2003:53).

The opportunity offered by the creation of the Consultative Council in 2004 highlighted further fissures in civil society unity. The selection of representatives from ‘excluded’ sectors, such as NGOs and associations representing, or working with women, children, disabled people and indigenous groups were characterised by bitter struggles over the selection of a single national representative (Cabezas
The former leaders of Interforos were in a weak position to organise a strong collective response, or an alternative proposal, and there was over-reliance by NGOs on donors to provide a response. Eventually representation on the Council was expanded to include regional representatives but this set up a conflict between territorial and sectoral allocations of HIPC resources that seriously damaged the credibility of actors involved. According to the director of FOSDEH (Díaz Jan 2009):

> Civil society organisations should not have sought resources from the platform that was offered to them in the Consultative Council for the PRSP. This is a self-critique: FOSDEH was part of the movement pushing for the inclusion of the regions; but these organisations then demanded money, but without any criteria on which to base the demand.... just looking for a piece of the cake. There is no strategic vision within civil society.

By the time parliament challenged the legality of the Council, and before Zelaya co-opted participation for political ends, the damage had already been done. Once confronted with dealing with the state, the collective strength of these ‘new’ civil society organisations was undermined. This revealed a general lack of vision or understanding within civil society of what its role was or should be vis a vis the state (Paz 2005:10-11).

In Nicaragua, the influence of the CCER peaked after Hurricane Mitch, while the experience of participation through CONPES for the ERCERP was seen to represent a step backwards (Guimaraes and Avendaño 2011:324). The failure to influence the ERCERP through either the PROCONSULTA process, or with the alternative strategy ‘La Nicaragua Que Queremos’ revealed that the CCER had greater influence at the international level than at the national level (Bradshaw et al. 2002:7). In practice, international influence was circumscribed by the orthodox aims of the PRS approach, and the CCER failed to develop a constituency capable of effectively influencing national politics. In a context characterised by deep polarisation and fragile democratic institutions, the burden placed on civil society to deliver ‘consensus’ was immense. Moreover, since
most of the member organisations of the CCER retained some loyalty to the Sandinista party, autonomy was limited. When the short-term tactical alliance with Bolaños ended in 2003, the CCER became paralysed, and unable to react to the intensifying conflict between parliament and President Bolaños. By 2006 when the election of Sandinista leader Ortega was imminent, the national umbrella organisation had become splintered among different factions (Howard and Serra Vasquez 2011:75-76).

Civil society, state-society relations and the PRS approach
Overall the PRS processes revealed the limits to change from this type of engagement with the state. In all cases, institutional frameworks for participation at sub-national level were strengthened, and the capacity of civil society to engage with these spaces increased. In the Bolivian case, interviewees described the PRS as essentially irrelevant for social change, but highlighted that there were unanticipated positive effects, even though some actors suffered as a result (Cortez Oct 2009):

The main effect was that the National Dialogue processes taught civil society [organisations] how to develop a programme for government ... none of this was foreseen in the design of the National Dialogues. Marginalised social groups with little capacity to negotiate with the state participated, but then they went far beyond this.

In the MAS government, the discourse of politics has changed radically, but some elements of continuity are clear. Former members of the Comité de Enlace highlight that many of the proposals from the 2003/4 National Dialogue served as the basis for new policies formulated from 2006 (de Jong et al. 2007a:22). The MSC was abandoned, yet there was some continuity in the negotiations for a new Constitution with proposals for incorporating a ‘fourth power’ – civil society – in the institutions of government, although these elements were ultimately dropped by the time the Constitution was ratified in 2009. However continued political conflict over the content of national policies and political representation after 2005 (Crabtree 2008:4), highlight that the mobilisation of social
movements had not been fuelled by a simple ‘backlash’ to neoliberalism, but was also based on complex factors relating to indigenous identities, nationalism and a ‘systemic mistrust of government’ (Crabtree 2005:12, Haarstad and Andersson 2009:22, Salman 2007:125). In this context the responses provided by the PRS approach to the democratic deficit were clearly naïve, and participation by NGOs in semi-formal spaces could not substitute for formal democratic representation. The sea-change in Bolivian politics suggests that to achieve a greater representation of the poor in policy-making, a leap from civil to political society is required to overhaul political leadership.

In Honduras commentators were more sceptical about participation in the PRS process, describing it as a ‘mature’ encounter between state and society, but also one that revealed the limits to change (Díaz Jan 2009):

The PRS facilitated a public discussion related to issues of development and poverty and an articulation between actors in different regions of the country. Greater technical understanding was generated among grassroots organisations and there was greater diffusion of information about poverty. For the first time grassroots organisations presented proposals for how to resolve their poverty, and related these to structural issues. This had an effect in building leadership and some spaces for participation. However, it was never possible for civil society to use this as a starting point to gain access to the national budget process and the allocation of resources.

More radical civil society activists highlighted that this type of participation could not serve as a sustainable catalyst for social activism (Moreno, Jan 2009):

To an extent, the PRS process helped those organisations of civil society who were already committed to building citizenship – but not new organisations, nor those who were not.

The overt politicisation of participation under President Zelaya, reiterated the limits of NGO participation as a catalyst for change. At this point civil society actors were more deeply divided than ever, and the potential of this type of interaction with the state was deemed to have been exhausted (Cálix, Jan 2009):
The 1990s saw the emergence of new actors, the social movements fighting for human rights and then civil society organisations. These are not going to grow any more, they depend too much on international aid and they are delinked from citizens. Civil society now realises that it must make the leap into politics in order to bring about change: political advocacy of the 1990s style has reached its limits. Now Congress must be the target because therein lies the power to bring about change … a political ‘third force’ has not emerged. All political conflict is internalised within the parties, and civil society is instrumentalised by the parties through a very subtle cooptation. For example they open spaces for participation and then ‘rob’ the discourse. Breaking this bipartisan system must begin at the regional level.

President Zelaya later attempted to generate support from different sectors in civil society including trades unions and some NGOs, to change the Constitution, antagonising both parties. This led a faction within his own Liberal party to sanction a military coup that ousted Zelaya from power in June 2009. The relative ‘success’ of this coup further underlined the fundamental to obstacle to change presented by the ‘oligarchic pact’ underpinning the entrenched, reactionary, anti-democratic and potentially violent dynamics of the two-party system (Torres-Rivas 2010:59). For civil society, the challenge remains to forge an effective collective response, and a political force, that can overcome the twin strategies of accommodation and repression by these elites.

In Nicaragua, the experience reinforced the impotence of political advocacy in a weak democracy, and space for participation was heavily controlled by Bolaños after 2002. From 2007, President Ortega systematically co-opted the poverty agenda and social participation for political ends. Street protests decreased radically in 2007 as the organisations loyal to the Sandinista had some of their demands fulfilled through new resources available from Venezuela (Guimaraes and Avendaño 2008:4-6). A degree of order and the semblance of governability came at the price of renewed attacks on NGOs and autonomous civil society actors opposing the party line, resembling the actions of Alemán ten years previously (Isbester 2010:31). CONPES has been filled with Ortega loyalists, and local government has been threatened by the creation of a national
network of Citizen Power Councils and there is evidence of electoral fraud in the 2008 local elections directly answerable to the First Lady (Guimaraes and Avendaño 2008:22, Anderson and Dodd 2009:164). While external resources continue to be channelled to finance popular social policies, in the absence of a vehicle for broad political opposition to Ortega, Alemán and their pact, civil society remains effectively captured by these dynamics and impotent to deliver change. At the very least, sustained attacks highlight that NGOs and civil society actors in autonomous, activist forms, and legitimate spaces for participation in local government serve as a threat to Ortega’s political project, and the forces behind the pact (Howard and Serra Vasquez 2011:76). It also highlights that ending the patrimonial and personalist dynamics of Nicaraguan politics requires political capacity for bottom-up responses from civil society to generate effective political opposition at national level.

In sum, the political influence of civil society at the launch of the PRS process was the result of a conjuncture of national and international factors. Activist civil society actors close to donors achieved prominence and used the opportunity of the PRS approach to agitate for greater space for influencing national policy. Nonetheless, the spaces offered for participation were subject to political manipulation, robbing the PRS approach of its promise. The civil society actors involved were aware of the risks of engagement with an essentially ‘neoliberal’ process and with governments perceived as hopelessly corrupted by clientelist interest. The disappointing outcomes from participation in the PRS exacted a political price from the civil society actors that had engaged with the agenda. Open attacks on the motives and accountability of NGOs increased, while credibility was lost through association with politicisation, and by concentrating too much on donors and the international agenda. There were also opportunity costs: engagement with the PRS distracted attention away from other national political issues, and deferred strategic decisions around how to engage with political
parties or foster coalitions within other elements of civil society. Nonetheless the option of sticking to conventional forms of ‘vociferous opposition from outside’ (Boussard 2003:268) in the PRS context would have been unrealistic for civil society in these cases, after a decade campaigning for PRS-type participation. In practice, the demise of the PRS processes demonstrated the exhaustion of this type of engagement for negotiating policy changes, and posed bigger questions around independence, autonomy and legitimacy across the whole range of civil society actors, and around the role of civil society vis-à-vis the state. Overall, the extent of ‘damage’ done by the PRS approach to formal democracy in these cases was limited, because the PRS process never posed much of a threat to prevailing trends to begin with (Komives 2011:315). In Bolivia, the challenge to dominant patterns came from social movements engaged in street protests, outside established channels of state-society relations, while in Honduras and Nicaragua participation in the PRS failed to dislodge the very different bipartisan dynamics in each case.

7.5 Conclusions

The PRS process gave national prominence to a set of ‘activist’ civil society actors that had emerged under neoliberalism in the 1990s. These actors were wary of the state, and of the World Bank, and contested participation from the outset, exercising some influence over the trajectory of the official processes, and carrying out parallel processes to generate alternative policy proposals. The scope of civil society participation was limited to technical discussion of a poverty agenda, and little of the input generated was taken into account in the final strategies. Instead of strengthening state-society relations, the PRS process resulted in greater antagonism in each case, and attempts to institutionalise participation failed to arrest the gradual disappearance of the PRS agenda in each case. Donor activities deeply shaped the nature of participation in each case, by privileging
one set of civil society actors, raising their profile and expectations, and also by pressing governments to carry out a participatory process. Donors also directly undermined participation, and occupied the policy space opened to civil society by dominating the content of the final strategies. There were important political effects from this: the capacity and credibility of the state was undermined and the civil society actors that had engaged were disillusioned, and tainted by association with the process.

Donors clearly played an instrumental role, as these outcomes can be attributed to inherent contradictions between the principles of ownership and participation in practice, and inconsistencies among donor interpretations. Yet this was not the successful engineering of hegemony, since donors rapidly lost the space that they had occupied. New governments in 2002 altered the content of the national strategies in each case and the policy agenda had all but disappeared by 2006. The spaces offered for participation around these agendas were weakened by two factors: they remained isolated – by design – from formal democratic systems, and this made them even more vulnerable to political manipulation. The actors that engaged with these spaces became discredited, and internal divisions rapidly surfaced as the political influence enjoyed at the launch of the PRS process in each case rapidly ebbed. These dynamics illustrate the limits of this type of participation as a vehicle for bringing about radical changes to public policy in these contexts, and the limited political capacity of these civil society actors to overcome societal divisions, let alone tackle, or substitute for, broader issues with political representation in formal democratic institutions.
Chapter Eight: Conclusions

8.1 Introduction

The Poverty Reduction Strategy approach, which emerged as part of the second Heavily Indebted Poor Countries initiative, implied a central role for the state in poverty reduction, and a role for civil society to participate in these processes. The initiative was heralded as a new departure by the World Bank, however critics viewed the PRS approach as ‘more of the same’, or worse, as a cover for deepening and broadening control, and these debates dominated appraisals of the PRS in practice. The PRS approach has been extensively researched, by academics, donor agencies and NGOs keen to understand its impact and limitations in Latin America and beyond. This study engages with this literature and examines the implicit theory of change underpinning the PRS approach, and the principles of ownership and participation in order to shed light on the implications for the roles of the state and of civil society. From this, a principal concern was to assess the extent to which this literature offered an adequate account of how donor practices, based on a certain set of theoretical assumptions about the state and civil society, affected outcomes, and whether the impact of politics within these three case study countries was adequately captured. Building on this, a further aim was to develop an analytical approach that would offer greater insights into what the experience of the PRS process revealed about the nature and role of the state, and of civil society, in Bolivia, Honduras and Nicaragua. In this concluding chapter, conclusions are drawn about the research questions, the implications of the theoretical and analytical framework are scrutinised, and from the findings, a number of suggestions for future research are offered.
8.2 Researching the PRS process in Latin America

A set of research questions was set out at the start of this thesis to address a perceived imbalance in the literature towards donor-centred rather than political explanations for outcomes, to explore more deeply the theory of change underpinning the PRS approach, and to identify what the experiences in these three cases reveals about the state, civil society, and their roles in democracy and development. These questions were as follows:

◊ To what extent did neoliberal reform change the role of the state, the nature of civil society and state-society relations prior to 1999?

◊ What theoretical understanding of the link between democracy and development, of the nature and role of the state in development and of the role of civil society and its relationship to the state informed the design and implementation of the PRS processes in Nicaragua, Honduras and Bolivia?

◊ To what extent is this theoretical understanding coherent, and what are the main areas of inconsistency? How and to what extent did these theoretical understandings affect outcomes in these three cases?

◊ In light of these findings, what can these experiences reveal about the role of the state, and civil society, in democracy and development?

To address this research agenda, this thesis offers a multi-layered analysis to complement top-down approaches with state-centred, political and bottom-up explanations for change in the region. Combining this analytical approach with comparative insights of the experiences in the three cases offers a unique perspective on the PRS experience.

Dealing with the first question involved setting a historical overview of development, politics and aid relations in Bolivia, Honduras and Nicaragua in order to establish the extent to which neoliberal reform
changed the role of the state, the nature of civil society and state-society relations prior to 1999. The analysis of the case studies draws on broad historical accounts of the region and the case study countries, emphasising the three levels of analysis in the analytical framework. The changing international political economy of the region is charted; the evolving role and capacity of the state is traced throughout changing periods; and the nature and emergence of different types of civil society actors, and state-society relations are outlined. In particular, the importance of aid relations as a mediating influence between the international order and states, and between states and societies is evaluated in detail for each case study. This analysis offers a rich contextualisation of the context in which the PRS approach was introduced in each case in 1999, and explicitly addresses the aim of this research agenda to establish the relative impact of neoliberal reform on the state and on civil society.

The historical analysis of these cases within the broader regional political economy points to the relevance of legacies of external interference from the United States and of weak states, and the ongoing impact of the experience of authoritarianism and revolutionary change under democratisation for understanding the neoliberal era. Insights from the literature on democratisation in the region highlighted how some of these weaknesses have persisted, and the ways in which sub-optimal systems of governance have been perpetuated in each case. From this, the study finds that the impact of neoliberal reform on the state in each case by 1999 was partial. Aid and neoliberal reform had an important influence on developing high-capacity technocratic enclaves within the state, but the political will to thoroughly overhaul and implement the state on neoliberal lines was thwarted by vested political interests. New approaches to social policy were introduced under neoliberalism in each case during the 1990s but the capacity of the state to design and deliver policies to deal with poverty remained fragmented, and the focus remained subordinate to the growth imperatives of the neoliberal agenda. The
study also finds that neoliberal reform shaped the role and composition of civil society, privileging certain actors and modes of state-society interaction. However, the nature of civil society and established patterns of state-society relations were not entirely overhauled. Increased support led to a proliferation of NGOs, but trades unions, peasants associations and other groupings did not disappear. Pressure on states to implement decentralisation and to create spaces for participation gave new opportunities for engagement with the state, especially at local level. However, traditional patterns of state-society interaction continued through party networks and informal channels, and this circumscribed the potential of emerging national spaces for participation in each case. Overall, the study finds that at the cusp of the introduction of the PRS approach in 1999, the neoliberal agenda remained heavily contested by both state and society.

Turning to the second question, the theoretical understandings of the link between democracy and development, of the nature and role of the state in development, and of the role of civil society and its relationship to the state, which informed the design and implementation of the PRS processes in Nicaragua, Honduras and Bolivia are explored in the international frameworks for debt and aid. In the review of the literature on development, debt and poverty reduction and the evolution of the PRS approach at international level, the study finds that the HIPC II initiative and the PRS approach are firmly situated within the evolving neoliberal orthodoxy that dominated aid and debt for the least developed countries from the 1980s through structural adjustment programmes. However, alternative perspectives also influenced and contested the emergence of the PRS approach. The PRS approach was dominated by neoliberal ideas of the role of the state, and of civil society in development, and by technical concerns with efficiency. However, the language of ‘ownership’ and ‘participation’ resonated with more substantive concerns with social justice of activists around the aid agenda. As a
result of this, the study finds different theoretical understandings were reflected, and conflated in the PRS approach. This left considerable ambiguity in the implementation of the PRS approach. Donors were primarily motivated by the technical, apolitical ‘good governance’ agenda promoted by the World Bank, yet there were also aspirations that reflected alternative perspectives on development that promoted democracy, social justice and empowerment. Overall, the study concludes that the role of the state, and the role of civil society, in development and democracy remained contested, leading to contradictions in practice with the principles of ownership and participation.

The literature evaluating the PRS approach highlights how these ambiguities influenced implementation, and outcomes; in addition, this thesis highlights that these also shaped assessments of the PRS processes, and the nature of the debates around the agenda. Issues are raised relating to the role of the state and the role of the civil society, but the aims and objectives against which success is measured vary greatly. Critical appraisals into how the PRS approach was imposed and implemented highlight the impact on the role and capacity of the state, and the role of civil society vis-à-vis the state, offering an entry point for uncovering these theoretical understandings in the Latin American cases. However, this study concludes that the tendency for this literature to focus primarily on aid practice, and on donor activities, and to presuppose the success of a ‘neoliberal hegemony’, limits its usefulness for understanding the nuances of particular country contexts. To overcome this, the study develops a more suitable analytical approach for investigating these relationships in these case studies by including elements from the literature on development and politics in the Latin American region. The top-down, generalised focus of the structural debate between liberal/modernisation approaches and critical/dependency approaches mirrors the limitations of the aid literature. Instead, the study turns to explanatory frameworks which can capture agency and
contingency in the country case study analysis, and which can more completely assess the PRS approach, and what its implementation in these cases reveals about the role of the state and the role of civil society.

For examining the state, this study finds that the concepts of autonomy and embeddedness, from the literature on the developmental state, offer a suitable means for analysing the institutional strength of the state in relation to dominant groups in society, and its capacity to develop and implement policy. The explicit concern with performance and developmental outcomes draws attention to the political impact of the role of the state under neoliberalism, and in the PRS approach, as well as to the implications for democracy. Dominant procedural models of democracy, reflected in the ‘good governance’ agenda, highlight issues around institutional consolidation and elite incentives for engaging in institutional reform and poverty reduction that are relevant for understanding elite choices and state capacity in the era of neoliberal reform. However, for this study, critical perspectives offer greater insights, because the relationship between democracy and neoliberalism is problematised in terms of substantive issues of participation and socioeconomic justice. To strengthen this, neo-structuralist perspectives are used to assess the state strength in the PRS process with reference to performance, which gives an insight into the prospects for a new role for the state in development and the implications for democracy.

In the debates over democracy in the Latin American region, the study finds implicit and explicit roles for civil society that reflect the ambiguous theoretical understandings of the role of civil society in the PRS approach. To uncover the contested role for civil society, and to complement the political analyses of the state, bottom-up explanations that analyse social movements and civil society in Latin America are used. Approaches that regard civil society as a site of contention, rather than the by-product of change are found to be the
most suitable for analysing the evolving role of civil society in democratisation, and in development under neoliberalism. Political explanations for understanding civil society mobilisations under neoliberalism are favoured because the relationships among civil society actors, and between civil society and the state, are problematised. This avoids idealisation of any particular social actor, and state and society are considered as mutually constitutive rather than inherently conflictual. In addition, this offers a means of assessing different interpretations of the PRS approach, and how these affected outcomes. Finally, examining how international influences, including aid, have shaped civil society, and its relations with the state, and how civil society engaged with or contested these influences, complete a multi-layered analytical approach for assessing the experience and outcomes of the PRS approach for civil society.

8.3 Findings about the PRS Process

This analytical approach is used to assess theoretical understandings that informed the PRS process in the three case study countries, and to identify the extent to which these understandings shaped outcomes for the state and for civil society, building on the initial context in 1999.

The outcomes of the PRS process in these cases were disappointing. In terms of the role of the state, the study concludes that the PRS processes in Bolivia, Honduras and Nicaragua failed to make a lasting impact on the role of the state in poverty reduction and in facilitating participation, or on the capacity of the state to design and deliver policies for reducing poverty. Responsibility for the design of policy remained concentrated in the technical units, and there was little broader involvement, or buy-in from other state institutions, or even the government. By treating participation as a parallel exercise,
an opportunity to generate support from and develop partnership with civil society was lost. The strategies were weak in their treatment of poverty and tended to simply aggregate existing policies and programmes. New governments in each case from 2002 discarded the original strategies, and attempts to institutionalise participation were half-hearted and short-lived. In all three cases, debt relief was channelled to social spending, but did not form part of broader national plans for poverty reduction, and had little impact on poverty in this period. For civil society, the study finds that the PRS processes resulted in national prominence for a set of ‘activist’ civil society actors that had emerged under neoliberalism in the 1990s. These actors were wary of the state, and of the World Bank, and therefore contested participation from the outset, exercising some influence over the trajectory of the official processes, and carried out parallel processes to generate alternative policy proposals. However, the scope of civil society participation was limited to technical discussion of a poverty agenda, and little of the input generated was taken into account in the final strategies. Instead of strengthening state-society relations, the PRS process resulted in greater antagonism in each case, and attempts to institutionalise participation failed to arrest the gradual disappearance of the agenda in each case.

For all three cases, the study concludes that donors determined the role of the state in the PRS process, but that there were limits to donor influence, and unintended political consequences which reveal naivety and ambiguity in the implicit theory of change behind the PRS approach. Donors reinforced a technocratic, apolitical approach to policy-making, and this theoretical understanding contributed to outcomes. Donor activities deeply shaped the nature of participation in each case, by privileging one set of civil society actors, raising their profile and expectations, and also by pressing governments to carry out a participatory process. Donors also directly undermined participation, and occupied the policy space opened to civil society by dominating the content of the final strategies. Instead of
strengthening the role of technical units within the government and reinforcing a nascent relationship between the state and a sector of civil society, donor influence in the elaboration of the strategies further undermined the potential of the technical units to deliver on the PRS agenda, undermining ownership. After 2002, convergence around the PRS agenda waned and donor responses to second generation strategies and participation were more ad hoc, revealing and contributing to further contradictions in the principles of ownership and participation in practice. The PRS approach set out to overcome problems with political buy-in to poverty reduction. However, the political dynamics characterising these three cases were dealt with in a cursory way. Mention is made in the literature of initial conditions in each case: how the state was captured and fragmented as a result of elite bargaining, and of the weakness of democratic institutions to channel and respond to the needs of the poor. Yet the technical, apolitical prescriptions of the PRS approach in practice failed to deal with these issues. The study concludes that this, and inconsistencies among donor interpretations of the PRS approach, limited the political reach of the process and resulted in inherent contradictions between the principles of ownership and participation. There were also important – and unintended – political effects, reiterating the inherent ambiguities of the theory of change: the capacity and credibility of the state was undermined, state-society relations were antagonised, and the civil society actors that had engaged with the process were disillusioned, and tainted by association.

This reveals important elements about politics and the state, and how international influences are contested. The trajectory of the PRS process did not reflect the imposition of a neoliberal hegemony in any of these cases. Instead, the processes continued to be marked by elite resistance to the poverty agenda, and to broadening and deepening institutional reform. Attempts by the technical units to overcome this opposition within government encountered further obstruction from
entrenched corruption and clientelism in the implementing agencies. Meanwhile, political dynamics overshadowed, and eventually occluded the PRS in each case. In Bolivia, in the context of mounting political crisis, the PRS became irrelevant, although donor-imposed policies and participation may have contributed to further destabilisation. In Honduras, entrenched bipartisan, clientelist politics slowly engulfed the PRS agenda, and in this context donors may have consolidated patrimonialism in the state. Finally, the PRS agenda failed to grapple with political polarisation in Nicaragua, and donors were unable to inhibit the growing dominance of the ‘pact’ in democratic institutions. From a technical perspective, the PRS process revealed in a stark way fundamental weaknesses in the state and the impossibility of bypassing elite interests with technical policy-making processes. From a more political perspective, the processes revealed the limits of this type of participation as a vehicle for bringing about radical changes to public policy in these contexts.

Nor was this the successful engineering of hegemony or ‘social control’ over civil society, since donors rapidly lost the space that they had occupied. New governments in 2002 altered the content of the national strategies in each case and the policy agenda had all but disappeared by 2006. The spaces offered for participation around these agendas were weakened by two factors: they remained isolated – by design – from formal democratic systems, and this made them even more vulnerable to political manipulation. The actors that engaged with these spaces became discredited, and internal divisions rapidly surfaced as the political influence enjoyed at the launch of the PRS process in each case waned. There were also opportunity costs: engagement with the PRS distracted attention away from other national political issues, and deferred strategic decisions around how to engage with political parties or foster coalitions within other elements of civil society. Nonetheless in these cases, it would have been unrealistic for civil society actors not to have engaged, after a decade spent campaigning for PRS-type participation. The extent of
‘damage’ done by the PRS approach to formal democracy in these cases was limited, because it never seemed likely to overcome prevailing trends. In Bolivia, the challenge to dominant patterns came from social movements engaged in street protests, outside established channels of state-society relations; in Honduras and Nicaragua participation in the PRS failed to dislodge the very different bipartisan dynamics in each case. The processes revealed the limited political capacity of these civil society actors to overcome societal divisions, let alone tackle, or substitute for, political representation in formal democratic institutions. In practice, the demise of the PRS processes demonstrated the exhaustion of this type of engagement for negotiating policy changes in each case, and posed bigger questions around independence, autonomy and legitimacy across the whole range of civil society actors, and around the role of civil society vis-à-vis the state.

8.4 Contributions of the study

The multi-layered approach developed in this study and applied to the implementation of the PRS process in these Latin American cases contributes to both the literature on development and aid, and to the literature on Latin American development and politics.

Situating the PRS approach in the historical context of international public policy, and as part of an evolving neoliberal framework offers a means of critically analysing the coherence of the approach vis-à-vis the state and civil society, and how it was contested. Complementing this with an analysis of Latin American development theories offers a more nuanced characterisation of the development ‘problems’ the PRS approach was supposed to resolve in these cases. This is relevant because much of the content of the PRS approach emerged from aid practice in African contexts which differ qualitatively from the Latin American political economy. For a start, these countries had
experienced almost two hundred years of independence from colonial rule. As this study has shown the role of the United States and the resulting political economy peculiar to the region have had implications for the evolution of the role and capacity of the state, democracy, and patterns of state-society relations that pre-dated aid relations.

Moreover, in its examination of the origins of the PRS approach, the study finds that national and sub-national influences contributed to changes in the international frameworks for aid and debt in the least developed countries. From the outset, this approach explicitly allows for agency from the state and from society in response to pressures from globalisation, and gives a starting point for a dynamic analysis of the context in which the PRS was launched and its evolution from 1999 to 2006 in the three cases. The PRS process is situated in dynamics relating to the long-term impact of and responses to the regional political economy, and within the medium-term context of democratisation and neoliberal reform. This offers a rich set of initial conditions to consider that relate not only to ‘aid problems’ but to deeper issues pertaining to politics and development. It also relates the experience of the PRS approach to ongoing contestation of external influences from states and societies.

The political explanations used to analyse the role of the state in the PRS draw from a broad literature attempting to understand change in Latin America under neoliberalism. This approach offers a broader understanding of PRS processes than the current literature because it problematises donor relations with the state and with civil society. Before considering the direct influence of donors on the role of the state in the PRS process, the underlying dynamics of aid relations are set out, and this is situated in a broader analysis of state capacity and state-society relations under neoliberalism. Such a contextualised approach goes beyond the generalised references to weak states and specifies the dynamics that facilitated the introduction of neoliberal
reform, but which also inhibited its implementation in each case. This offers a detailed set of initial conditions against which to evaluate the PRS approach. The findings about the limits to donor influence on the state reiterate the theoretical weakness of the PRS approach to deal with politics, but also reveal more clearly the ways in which the state is captured and fragmented. Moreover, it illustrates the short-sightedness of concentrating on technical aspects without dealing with the politics of policy-making and its implementation.

The literature on democratisation, civil society and social movements in Latin America informed the analysis of the role of civil society in the PRS process. This approach sought to move away from simplistic characterisations of civil society as a by-product of change, or a victim of elite manipulation, or of international influences. Avoiding sharply contested ideals of civil society, the evolution of civil society in terms of its composition and its role and capacity vis-à-vis the state is the primary focus of this approach. In this, the impact of democratisation, and aid, on shaping and constraining civil society in these societies is analysed in detail before considering the PRS approach. This is relevant because it deals with the expectations placed on civil society participation without burdening the analysis with an ideological debate. Instead, the impact of the PRS approach on civil society is assessed in relation to initial conditions rather than ideal types. As a result, the findings about donor influences on civil society offer a nuanced analysis that confirms general problems with the theory of change behind the PRS approach. Moreover, it moves away from generalised disappointment to illustrate fundamental issues relating to the role and capacity of civil society as an agent of change in these contexts.

Overall the multi-layered analysis in this study permits an analysis of the PRS processes in the Latin American context that contributes to a better understanding of aid relations. When the PRS approach was
launched in 1999, the rapid introduction of the initiative across so many regions and countries tended to confirm the preponderance of the neoliberal framework. Contradictions within the approach certainly contributed to outcomes, especially the failure to adequately account for political factors. However, this analysis reveals the political limits to donor influence that circumscribed the potential of this approach to overhaul the state, and deliver ownership through participation, in order to deliver better outcomes in terms of poverty reduction. This reinforces the importance of agency, and of examining the contingency of political and institutional configurations for explaining change.

8.5 Future research

These findings highlight a number of areas that warrant further research. The limitations of the current literature on aid, and the implementation of international public policies in dealing with political factors reiterates the need to situate the aid problems in a broader context of political development. For donors and activists, this entails taking a step back from ideological debates in order to fully consider the political realities of the state, and of civil society in developing countries. For researchers, the multi-layered analytical approach developed in this study is relevant for understanding the experience of neoliberalism and the impact on state-society relations and democracy across a variety of cases. Within Latin America, the analysis of neo-developmentalism offers a way of incorporating critical assessments of democratisation, and gives a starting point for assessing the role of the state in delivering growth and redistribution, and the role of the civil society vis-à-vis the state in the region in a context marked by a global crisis of neoliberalism and the rise of ‘new left’ politics. For non-Latin American cases, adapting this framework offers an alternative framework for assessing state strength, developmental outcomes, and democracy, within a given set of
mediating international circumstances. Another dimension to the analysis of state capacity relates to the political will to engage with poverty. This thesis has shed light on historical and political causes for the difficulties involved in getting elites to engage with poverty issues, and offers some insights into the political effects of increasing resources for poverty reduction in these cases. Another aspect to this are the debates around defining, measuring and responding to poverty in the region, as reflected in the range of competing qualitative and statistical data available, and political dynamics around carrying out surveys and publishing results. This study has highlighted how civil society contested orthodox approaches to defining the causes, dimensions and prescriptions for poverty; yet in practice there has been little change to the essentially ‘neoliberal’ approach to targeting social policy interventions to the poorest of the poor, and the publication of survey results have been caught up in electoral cycles. Further research on these issues has the potential to contribute to broader debates on the politics of poverty reduction in the region in the context of the ‘new left’.

Secondly, the dramatic shift in political dynamics in each of these case studies from 2006 away from the characteristics of the neoliberal era offers a rich agenda for future research that can build on the approach taken in this study. This thesis has highlighted entrenched problems with democratic institutions and dynamics that threaten to further weaken the capacity of states to respond to the needs of the majority. Poverty, polarisation and manipulation by elites continue to undermine the capacity of civil society organisations to act as an agent of change, and require further examination. Recent developments in Bolivia highlight the potential for civil society actors to make the leap to political society to enhance democracy, but the MAS governments have faced familiar issues of political resistance and weak capacity when attempting to overhaul and redirect the role of the state. Moreover, in this leap to political society, issues about relations among different types of actor within
civil society, political representation and the role of civil society vis-à-vis the state in Bolivia remain unresolved. The 2009 coup in Honduras revealed the entrenchment of elites, and the deep-seated allegiance to the stability of this system by a range of civil society actors previously considered progressive. The prospects for a strong capable state emerging in this context are further threatened by polarisation among civil society actors and increasing violence in society, and from the state. In Nicaragua, under Sandinista President Ortega, the channelling of resources to poverty reduction initiatives suggests a progressive stance going far beyond the PRS approach. However, the simultaneous assault on the autonomy of civil society, the politicisation of state institutions through the dynamics of the pact, and the weakness of political opposition, all raise troubling questions about the prospects for democracy.

Finally, this thesis has researched a policy process in three countries that has been extensively studied, and has situated these experiences, and this literature, in longer-term patterns of international political economy, of national political development and of social change. In the day-to-day context of policy-making and evaluation, these longer term patterns are often ignored, or, when mentioned, rely too easily on naïve assumptions about politics and change. This study has attempted to illuminate how these patterns also shape how policy frameworks are conceptualised, theorised, contested, implemented and evaluated. The contribution of academic research lies in making these patterns explicit and in acknowledging the influence of the past on the many dimensions of the present. The risks of not doing this are clear from the experience of the PRS approach outlined in this study: the failure to account adequately for politics and change generated incompatible expectations, undermined the implementation of PRS processes in practice, and eroded the convergence around the debt and poverty reduction agendas among diverse actors at international level.
List of Cited Interviews

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<tr>
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<th>Date</th>
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<tr>
<td>Juan Carlos Aguilar</td>
<td>13 Oct</td>
<td>La Paz, Bolivia</td>
<td>Consultant <em>(Consultant for the ISS reports on the PRS process in Latin America)</em></td>
<td>SAXgr <em>(Public policy consultancy firm)</em></td>
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<tr>
<td>Miguel Cálix</td>
<td>14 Jan</td>
<td>Tegucigalpa, Honduras</td>
<td>Programme Officer for Honduras <em>(Also a newspaper columnist writing about political affairs)</em></td>
<td>Danish Government Cooperation Agency, Honduras office</td>
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<tr>
<td>José Rafael del Cid</td>
<td>14 Jan</td>
<td>Tegucigalpa, Honduras</td>
<td>Coordinator for Analysis and Social Policy <em>(Consultant for the ISS reports on the PRS process in Latin America)</em></td>
<td>ESA Consultores <em>(prominent consultants involved in the PRS process)</em></td>
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<td>Roger Cortez</td>
<td>5 Oct</td>
<td>La Paz, Bolivia</td>
<td>Political Analyst</td>
<td>-</td>
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<tr>
<td>Mauricio Díaz</td>
<td>13 Jan</td>
<td>Tegucigalpa, Honduras</td>
<td>NGO Director</td>
<td>FOSDEH <em>(Honduran Debt and Social Forum)</em></td>
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<tr>
<td>Javier Gómez</td>
<td>5 Oct</td>
<td>La Paz, Bolivia</td>
<td>NGO Director</td>
<td>CEDLA <em>(NGO dedicated to research and investigation of employment)</em></td>
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<tr>
<td>Arturo Grigsby</td>
<td>20 Jan</td>
<td>Managua, Nicaragua</td>
<td>Director</td>
<td>Nitlaplan <em>(Research institute focussed on urban and rural local development)</em></td>
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<td>María José Jarquín</td>
<td>20 Jan</td>
<td>Managua, Nicaragua</td>
<td>Governance Adviser</td>
<td>DFID Country Office</td>
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<tr>
<td>Georgina Muñoz</td>
<td>19 Jan</td>
<td>Managua, Nicaragua</td>
<td>Director</td>
<td>Coordinadora Civil <em>(National civil society umbrella organisation)</em></td>
</tr>
<tr>
<td>Padre Ismael Moreno</td>
<td>16 Jan</td>
<td>El Progreso, Honduras</td>
<td>NGO Director <em>(Also a political analyst and regular contributor to envio.org.ni)</em></td>
<td>ERIC <em>(Jesuit local NGO working on human rights and capacity building for communication skills)</em></td>
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<tr>
<td>Juan Carlos Nuñez</td>
<td>9 Nov 2009</td>
<td>La Paz, Bolivia</td>
<td>Director</td>
<td>Fundacion Jubileo (Catholic social debt forum)</td>
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<td>Claudia Pineda</td>
<td>19 Jan 2009</td>
<td>Managua, Nicaragua</td>
<td>Consultant</td>
<td>Centro de estudios y análisis político (Public affairs consultancy firm)</td>
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<td>Julio Raudales</td>
<td>13 Jan 2009</td>
<td>Tegucigalpa, Honduras</td>
<td>Donor Programme Officer</td>
<td>Joint office DFID/CIDA</td>
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<td>Juan Carlos Requena</td>
<td>8 Oct 2009</td>
<td>La Paz, Bolivia</td>
<td>Company Director</td>
<td>SOBOCE (Bolivian cement corporation)</td>
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<td>Miguel Urioste</td>
<td>12 Oct 2009</td>
<td>La Paz, Bolivia</td>
<td>Director (Former senator involved in drawing up the Law for Popular Participation 1993)</td>
<td>Fundación Tierra (NGO working on land rights)</td>
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Appendix A: Fieldwork report

1. Introduction

This study is an examination of the Poverty Reduction Strategy process in three Latin American countries, Bolivia, Honduras and Nicaragua between 1999 and 2006. The principal research methods used for this study were literature review and case study. In order to enhance and refine the country case study analyses two field trip visits were undertaken, one to Honduras and Nicaragua in Central America and one to Bolivia in South America. The aim of the visits was to make contact with a broad number of potential interviewees and to carry out as many face-to-face interviews as possible. A secondary aim of the trips was to gather further material useful for the study.

This report details the experience of the fieldwork trips beginning with practical issues, moving on to the selection of interviewees, the content of interviews in practice and concludes by identifying some of the principal challenges and final reflections. Appendix II gives details of all of the interviews undertaken including the name, role and organisation of the interviewee as well as the date, location and language in which the interview took place.
2. **Practicalities**

The fieldwork for this study was carried out over two separate periods in 2009. The first trip was to Central America to carry out interviews in Honduras and Nicaragua, as well as with a couple of key contacts who were based in neighbouring Guatemala. The trip took place over a three week period in January 2009, outside normal semester time. The cost of the trip was facilitated by an airfare offer that considerably reduced the normal cost of travel to the region, as well as support from a grant from the Associate Dean of Research in the Faculty of Arts, Humanities and Social Sciences in the University of Limerick which covered internal airfares, bus travel and some accommodation costs. The second trip was for an extended period to Bolivia over twelve weeks in the autumn semester from late September to early December 2009. As it took place during semester time this trip was formally authorised by the Irish Research Council for the Humanities and Social Sciences (IRCHSS) which is funding this study. The airfare was partially paid for by an additional grant from the Associate Dean of Research while the remaining costs for travel and accommodation were met by the researcher.

From 2004 to 2006 the researcher had lived in Honduras and worked extensively in Nicaragua, and so had considerable experience and knowledge of the period under investigation as well as access to materials. This meant that a short visit to these two countries was considered reasonable for undertaking some key interviews. In contrast, a longer period of time was planned for Bolivia in order to reach a similar understanding of the context there. Financial constraints and the costs of travelling between these two parts of the Americas also meant that in practice it was not possible to extend the time spent in Central America. In each of the countries visited, the support of the offices of a former employer, the Irish Catholic international development agency Trócaire, was instrumental in helping with logistics. This support included access to office facilities.
such as telephone, computer, internet and transport in all three countries as well as the personal support and insights from country office personnel in drawing up lists of contacts. Given the short period of time in Central America, this support was particularly valuable, since many of the interviews had been pre-arranged by Trócaire staff before arriving in Guatemala, Honduras and Nicaragua. In Bolivia, the access to office facilities over an extended period of time offered a physical base in the city of La Paz.

Before travelling to Latin America in both cases contacts made at conferences in Ireland, the UK and Europe were used to identify potential interviewees and gather contact information. A number of interviews took place in Europe before and after the fieldwork trips when access to an important contact became possible. The full details are included in the interview list in Appendix II. The time available for interviews in each of the Central American countries was extremely limited, and in all cases some potential interviewees were either not in the country, or not available. Where possible, an email introduction was sent to potential interviewees before approaching them by telephone for a meeting. However in most cases there was no response given to these email messages, and following-up with a phone call in-country was necessary in all cases in order to secure an appointment. In some cases, getting hold of a current mobile telephone number or getting past secretaries in organisations proved difficult. In some cases, the potential interviewee was reluctant to make fixed arrangements over the telephone on the first call and requested a further telephone call or calls to make appointments at an unspecified later date. All of these dynamics required a great deal of patience and persistence in order to fix interview times. “Who you know” was extremely important in the majority of cases, and a great deal of name-dropping was required to convince some potential interviewees to give their time. All of the interviews were carried out face-to-face, and all bar three were in Spanish. In all cases except one there was nobody else present for the interviews. Detailed hand-
written notes were taken of each discussion, but the interviews were not recorded. This decision was taken from the outset in order to encourage more open discussion. Since the researcher is a fluent Spanish-speaker, language was not a barrier to general comprehension, though undoubtedly some nuances were lost to a non-native speaker. Once a key contact was made, and the interview completed, many interviewees were extremely helpful and personally opened a number of other contact opportunities by making telephone calls or sending introductory emails.

Security was an issue in all of the countries visited. Trócaire offered considerable support in Guatemala and Honduras in ensuring access to safe and reliable transport to all interview locations, as well as offering the use of a mobile phone while travelling to San Pedro Sula and El Progreso in Northern Honduras. In Nicaragua security was less of a concern and Nicaragua local taxis were used to move between interview sites around Managua and the researcher was familiar with the different locations. Due to time and financial constraints, there was no possibility of conducting interviews in Nicaragua beyond the capital city Managua. In Bolivia, Trócaire gave support with the use of a mobile phone and access to travel agent services. Public transport was used to travel between interview locations in La Paz and El Alto. In the visits to the cities of Sucre, Cochabamba and Santa Cruz to carry out interviews, air travel was chosen as the safest and quickest form of travel and local taxi services were used to find the interview locations. Road safety was an ongoing concern and the researcher was involved in two incidents, one in Honduras and one in Bolivia but with no injury. Health-wise the high altitude in the city of La Paz, Bolivia required a number of days’ adjustment at the start of the visit before normal activities could resume. Towards the end of the visit the researcher suffered a severe bout of gastroenteritis that resulted in the postponement and cancellation of some interviews in Santa Cruz.
3. Selection of Interviewees

A range of actors involved in the PRS process in each country, as well as general experts were interviewed in each country. Clear categories are difficult to define because individuals often changed roles over time, especially with the regime changes experienced in all three countries from 2006 onwards. Notwithstanding, in general the interview process covered the following types of actor:

- Civil society organisation leaders, especially those organisations which had been involved in PRS processes at national level
- Donor agency representatives based in the country offices
- Experts and consultants who had been or who are currently working for government agencies involved in the PRS processes
- Other analysts, experts and activists engaged with the donor world, and others with a more general perspective on politics

These groups of actors were chosen given the focus of the study on the relationships between these different actors in the PRS process. Within this, there was an attempt to ensure a broad range of perspectives on the process was captured as well as a more general overview of politics in each country. Some individuals were specifically targeted because of their prominence as personalities associated with the PRS process in some way in each case. At the same time, the selection was limited by a number of key absences. In total, women are under-represented in the total number of interviews carried out, with only 14 out of 60. This can be attributed partly to the gender bias in the PRS process in each country and within each type of organisation selected, and the fact that the study did not seek to address gender balance from the outset. Direct representatives of the poor were not sought out to be interviewed about the process. No representatives from trades unions were interviewed, partly because few had been directly involved in the PRS process in any case.

Similarly, relatively few academics in each country were interviewed,
partly because few academics were involved in the original PRS processes. This meant there were few obvious candidates to be targeted for an interview, and in Bolivia, it was particularly difficult to convince academics to be interviewed on these issues, partly because the PRS is no longer a current political issue. From all groups, some individuals were no longer based in the country as a result of regime changes, donor staff turnovers and personal reasons.

- In Bolivia, many of the leaders of the 1997-2002 government were no longer in the country. There was also reluctance on the part of many prominent academics to be drawn on issues relating to the PRS, and others were not interested in being interviewed, stating that this was not their area of expertise. But a longer period in-country meant that a large number of interviews were carried out and overall a good balance of perspectives was covered.

- In Honduras, partly as a result of the short time-frame only a few interviews could be carried out and the researcher had to rely on former colleagues in-country to organise interviews in advance. Partly as a result of this, no academics were interviewed; however there were no obvious potential interviewees before arrival. Some prominent members of the 2002-2005 Maduro government were evasive about talking about the PRS. In particular, the Vice-President responsible for the PRS in Honduras from 2002 to 2005, currently working with the UNDP, was encountered at a social event but she would not agree to an appointment, and pointed me towards her secretary who then said it would be impossible to arrange.

- In Nicaragua the time-frame was extremely short (three days), and this meant greater reliance on former colleagues in Trócaire to arrange interviews. The divisions caused by the Ortega administration in the Sandinista movement meant that some important potential interviewees such as experts, civil society leaders based in the current government, and other analysts refused to be interviewed. In addition, the change in government
meant that many former civil servants were no longer based in Nicaragua. In other cases, advice was given not to talk to some individuals because of politicisation. As a result it was difficult to ascertain the best use of short time and the balance of contacts was limited in this case. However 10 interviews were carried out and at least one actor of each type was interviewed.

Overall, almost half of the interviews (27 of 61) involved representatives from civil society organisations in each country who had been active in PRS processes and associated activities. Around a third involved individuals based in official donor agencies or who worked in government as part of elite technocratic groups responsible for delivering the PRS process in each case. The remainder of the interviews were with independent analysts, academics and politicians. The distribution across these actors in each country was fairly similar, even if the actual number interviewed differed between cases, as illustrated in the graph below:

Table 1: Number of interviews carried out in each country, and type of actor

<table>
<thead>
<tr>
<th>Country</th>
<th>Other</th>
<th>Gov't</th>
<th>Donor</th>
<th>Civil Society</th>
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4. Content of Interviews

An open unstructured interview approach was taken in these fieldwork visits in order to facilitate broad discussion of the PRS process and national politics with a diverse set of potential interviewees. A brief topic guide was used for the interviews, which was circulated to many interviewees in advance, especially in the Bolivian case where there was more time to prepare.

The topic guide was based around the following questions:

- What was the relevance of the Poverty Reduction Strategy process in your country?
  - What impact did it have on the state, in terms of ‘ownership’ and policy-making?
  - What impact did civil society participation have on the process, and on civil society?
  - How can these experiences be evaluated?

- What did the experience reveal about state-society relations and the nature of democracy?
  - In your view, how are state-society relations maintained or reproduced under the current system/regime?
  - How can a virtuous cycle of state-society relations be established to deliver democracy and development?

A number of issues were encountered before and during the interview process that affected the responses of the interviewees to these questions about the PRS process and politics in each case. A general difficulty was that the PRS processes had ended at least three years previously in each country and many interviewees expressed surprise that someone was ‘still’ researching this issue and questioned the relevance of the research. As a result, in some cases a considerable amount of explanation and discussion was required for interviewees to open up and engage with the broader questions. In each case, current political dynamics affected the responses of interviewees.
In the case of Bolivia, the election of Evo Morales as President in 2005 represented a fundamental juncture in politics. All of the interviews took place in the last year of the first period of the Morales government (2009) and this context circumscribed and coloured the responses of all of the actors interviewed in different ways. Perhaps in light of the scale of political changes concurrent to the PRS, the PRS process was treated by most interviewees as marginal to some bigger societal change – whether relating to democracy, indigenous social movements, or political party demise. In light of this broad lens of historical contextualisation, critiques in the Bolivian case of the PRS process were not as harsh as in the other case study countries, and upon reflection some lessons learnt have been identified by even the most radical opponents of neoliberal reform. In terms of the PRS processes themselves, interviewees tended to focus on the particular aspect of the PRS process that they had been involved in, whether the first or second consultative process or the technical design. The civil society actors that had been prominent in the PRS process have been heavily criticised and as a result in the interviews these representatives tended to be defensive about their actions in the period 1999-2005. They tended to be critical of the current regime, in particular of relations between the Morales government and civil society organisations, and the record on poverty reduction and job creation. Given the shift in aid relations since 2006, representatives of donor agencies were somewhat defensive about the relative advances of the PRS process. However there has been a lot of change in personnel and the discourse surrounding aid relations has shifted more substantially than in the other two case study countries. One loose group of interviewees, which could be described as experts or consultants who had worked for government before 2005, were quite bitter about the changes in politics from then on and were at times nostalgic about the PRS process. However their criteria for evaluating change were often extremely technical,
focusing on statistical measures of growth and stability rather than political viability and institutional strength.

The field trip to Honduras took place in early 2009 before President Manuel Zelaya was deposed in a coup. However even at this stage, the actions of the Zelaya administration were proving divisive; this in turn coloured retrospective perspectives on the PRS experience. A couple of analysts were extremely radical in their analysis of politics. They were dismissive of any attempts at policy-making led by donors or the political elite but rather espoused an overhaul of politics in general. This made it difficult to have a nuanced discussion of the relationships between different actors or the impact of the PRS. The process was dismissed as yet another failure of public policy making and participation that proved the undemocratic nature of politics in Honduras. In contrast, other interviewees, especially former civil servants and consultants, tended to look back on the PRS experience as an example of more mature and open state-society relations and more effective policy-making, in light of perceived failures of the Zelaya administration. Some civil society leaders would not be drawn on domestic political dynamics and instead focused their analysis almost solely on donor actions and on what donors should do, rather than more general discussions about what the PRS process revealed about public policy-making, state-society relations and politics. Related to this, given the researcher’s past involvement in funding civil society activities, it was difficult in some cases to get past a focus on current issues and organisational activities which required new funding. In donor agencies nearly all of the staff were new and had little knowledge of the PRS period, and were not particularly interested in the relationships between donors, state and civil society that had dominated in the PRS era.

In Nicaragua, disillusionment with the PRS process from the outset among civil society actors meant that most representatives did not want to discuss it, since they viewed it as irrelevant for state-society
relations. In particular, representatives of the national NGO platform, the CCER, evaded talking about anything to do with the PRS experience and instead continually brought the discussion back to current issues and how civil society activities should be funded in the future. This was partly due to the researcher’s association with Trócaire and other European civil society networks. In contrast, in donor agencies, staff that had been heavily involved in the PRS process praised the institutional advances the process had brought to Nicaragua. The PRS experience was contrasted with a critical view of the changes made by the Ortega administration that had come to power in 2007. In general, the polarised nature of Nicaraguan politics, and the complexity of the divisions within the Sandinista movement meant that perspectives on state-society relations were in flux at the time of the field visit. All of the discussions of the PRS and the nature of policy-making and state-society relations were circumscribed by a broader discussion on the nature of political competition in Nicaragua and agendas of power. Given the polarisation of opinions, it was particularly difficult in this case to separate out current agendas from retrospective analyses of the PRS process.
5. Challenges and final reflections

In total over 60 interviews were carried out in the fieldwork trips for this study. These interviews were not recorded, but this was not important as detailed notes were taken on the major points of each discussion. The interviews deemed to be the most important and useful for this study in each case were translated and typed up in English by the researcher who carried out all the interviews. The interviews were carried out in two different languages, Spanish and English, which was not a barrier in this case. However in terms of sharing the final results of this project the researcher will consider how to ensure that they are translated into Spanish to be shared with all of those who contributed in a meaningful way.

A major challenge was that the field trips took place a number of years after the end of the policy process being researched. In Bolivia and Nicaragua, and to a lesser extent in Honduras, major regime changes had taken place by the time of the field trips 2009. The shift in discourse on the part of all actors was greatest in Bolivia. If the fieldtrip to Honduras had taken place later in 2009 after the coup, it seems clear that some of the responses might have differed radically. Changes in the political context in all three cases were of course unavoidable, but it meant that some time had to be spent by the researcher in mapping out the political perspectives at the time of interviewing and to determine how this might have influenced responses. In particular, more attention was drawn to questions in the interview around the underlying dynamics of politics and how these have related to aid relations historically, and during and after the period in which the PRS process was central to these relationships. In this way, a limited focus on more recent radical changes in politics was avoided.

On a personal level, the fact that the researcher had worked with an international NGO supporting civil society activities in the PRS
process in two of the three case study countries was at times an advantage and at times a disadvantage. This situation meant that there was greater access to some contacts, as reflected in the high number of interviews with civil society representative. There was also generally more trust and greater understanding of political complexities, especially in Honduras and Nicaragua. On the other hand in these two countries, some contacts were either distrustful of the researcher or attempted to use the interview process as an opportunity to lobby for more funding. The easiest way to overcome this, apart from attempts to keep the interview discussion on the topic of study, was to broaden the range of actors interviewed to include people unknown to the researcher in order to gain as many balanced and objective perspectives as possible. In Bolivia, the relative anonymity of the researcher helped to overcome some of these problems. However this also meant that more time was required to make contacts and to convince them to agree to be interviewed.
### APPENDIX B

#### List of Interviews

<table>
<thead>
<tr>
<th></th>
<th>Date</th>
<th>Name</th>
<th>Position/Role</th>
<th>Organisation</th>
<th>Location</th>
<th>Language</th>
<th>Contact</th>
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<tr>
<td>1</td>
<td>12 Jan 2009</td>
<td>Javier Acevedo</td>
<td>Programme Director</td>
<td>CIPRODEH <em>(Human Rights NGO in Honduras)</em></td>
<td>Colonia Rubén Darío, Tegucigalpa, Honduras</td>
<td>Spanish</td>
<td>Through Trócaire</td>
</tr>
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<td>2</td>
<td>13 Jan 2009</td>
<td>Mauricio Díaz</td>
<td>Director</td>
<td>FOSDEH <em>(Honduran Debt and Social Forum)</em></td>
<td>Colonia Alameda, Ave Tiburcio Carías Andino, Casa #1011 Tegucigalpa, Honduras</td>
<td>Spanish</td>
<td><a href="mailto:mdb@fosdeh.net">mdb@fosdeh.net</a> 239-3404</td>
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<td>3</td>
<td>13 Jan 2009</td>
<td>Julio Raudales</td>
<td>Programme Officer <em>(Previously an official and then director of the Technical unit of the Ministry of the Presidency – UNAT from 1999-2005)</em></td>
<td>Joint Honduras office for DFID and the Canadian International Development Agency</td>
<td>Colonia Matamoros, Tegucigalpa, Honduras</td>
<td>Spanish</td>
<td><a href="mailto:jraudales@uap.hn">jraudales@uap.hn</a> 9985-8137</td>
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<td>4</td>
<td>14 Jan 2009</td>
<td>Geoffrey H. Bergen</td>
<td>Resident Representative</td>
<td>World Bank Country Office - Honduras</td>
<td>Centro Financiero Citi, Blvd San Juan Bosco, Colonia Payaqui, Tegucigalpa, Honduras</td>
<td>English</td>
<td><a href="mailto:gbergen@worldbank.org">gbergen@worldbank.org</a> 239-4551</td>
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<td>5. 14 Jan 2009</td>
<td>Martin Hessel</td>
<td>Governance Program Analyst</td>
<td>World Bank Country Office - Honduras</td>
<td>Centro Financiero Citi, Blvd San Juan Bosco, Colonia Payaqui, Tegucigalpa, Honduras</td>
<td>English</td>
<td><a href="mailto:mhessel@worldbank.org">mhessel@worldbank.org</a> 239-4551 x 235</td>
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<tr>
<td>6. 14 Jan 2009</td>
<td>Miguel Cálix</td>
<td>Programme Officer for Honduras (Also a newspaper columnist writing about political affairs)</td>
<td>Danish Government Cooperation Agency, Honduras office</td>
<td>Mall El Dorado 6to Piso, Bulevar Morazán, Embajada de Suecia, Seccion de Cooperacion, Honduras</td>
<td>Spanish</td>
<td><a href="mailto:mcalixm@gmail.com">mcalixm@gmail.com</a> 290-1800</td>
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<tr>
<td>7. 14 Jan 2009</td>
<td>José Rafael del Cid</td>
<td>Coordinator for Analysis and Social Policy (Consultant for the ISS reports on the PRS process in Latin America)</td>
<td>ESA Consultores (prominent consultants involved in the PRS process)</td>
<td>Ed San Miguel No. 1359, Bo. La Plazuela, Tegucigalpa, Honduras</td>
<td>Spanish</td>
<td><a href="mailto:rdc@esa.hn">rdc@esa.hn</a> 220-1713</td>
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<td>8. 14 Jan 2009</td>
<td>Guido Eguigure</td>
<td>Programme Officer</td>
<td>Dan Church Aid (Danish international development organisation)</td>
<td>Colonia Palmira, Paseo Republica Argentina, 4ta calle casa #357, Tegucigalpa, Honduras</td>
<td>Spanish</td>
<td><a href="mailto:Gui.honduras@dca.dk">Gui.honduras@dca.dk</a> 235-4984</td>
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<td>9. 15 Jan 2009</td>
<td>Ricardo Puerta</td>
<td>Sociologist</td>
<td>Independent Consultant</td>
<td>Colonia La Esperanza, Tegucigalpa, Honduras</td>
<td>Spanish</td>
<td><a href="mailto:rpuerta@alooo.com">rpuerta@alooo.com</a> 236-7785</td>
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<td>10. 15 Jan 2009</td>
<td>Elke Gottschalk</td>
<td>Programme Officer</td>
<td>DED / Fondo ACI (German volunteer agency working with the Honduran multi-donor civil society strengthening fund)</td>
<td>Oficina Trócaire, Colonia Ruben Dario, Tegucigalpa, Honduras</td>
<td>Spanish</td>
<td>232-5212</td>
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<tr>
<td>11. 15 Jan 2009</td>
<td>Mabel Hernandez</td>
<td>Coordinator</td>
<td>Fondo ACI (multi-donor civil society strengthening fund)</td>
<td>Oficina Trócaire, Colonia Ruben Dario, Tegucigalpa, Honduras</td>
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<td>Padre Ismael Moreno</td>
<td>Director</td>
<td>ERIC (Jesuit local NGO working on human rights and capacity building for communication skills)</td>
<td>El Progreso, Yoro, Honduras</td>
<td>Spanish</td>
<td>9875-7488</td>
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<td>13. 16 Jan 2009</td>
<td>Nelson García Lobo</td>
<td>Director</td>
<td>CASM (Mennonite social action committee, NGO working on human rights and social justice)</td>
<td>San Pedro Sula, Honduras</td>
<td>Spanish</td>
<td>9995-0256</td>
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<td>14. 19 Jan 2009</td>
<td>Claudia Pineda</td>
<td>Consultant (former member of the government technical unit SETEC under President Aleman 1997-2002)</td>
<td>Centro de estudios y análisis político (Public affairs consultancy firm)</td>
<td>Oficina Trócaire, Colonia Ruben Dario, Tegucigalpa, Honduras</td>
<td>Spanish</td>
<td>+505 266 3334 <a href="mailto:claudia@ibw.com.ni">claudia@ibw.com.ni</a></td>
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<td>15. 19 Jan 2009</td>
<td>Georgina Munoz</td>
<td>Director</td>
<td>Coordinadora Civil <em>(National civil society umbrella organisation)</em></td>
<td>Altamira d’Este, Managua, Nicaragua</td>
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<td>16. 19 Jan 2009</td>
<td>Adolfo Acevedo</td>
<td>Economic Analyst</td>
<td>Coordinadora Civil <em>(National civil society umbrella organisation)</em></td>
<td>Altamira d’Este, Managua, Nicaragua</td>
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<td>17. 20 Jan 2009</td>
<td>María José Jarquín</td>
<td>Governance Adviser</td>
<td>DFID Country Office</td>
<td>Residencia Bel-Air No. 77, Del Edificio Bancentro-LaFISE, 35mtrs al oeste, Managua, Nicaragua</td>
<td>Spanish</td>
<td>+505 270-2985 <a href="mailto:m-jarquin@dfid.gouv.uk">m-jarquin@dfid.gouv.uk</a></td>
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<td>18. 20 Jan 2009</td>
<td>Arturo Grigsby</td>
<td>Director</td>
<td>Nitlaplan <em>(research institute focussed on urban and rural local development)</em></td>
<td>Edificio Nitlaplan, Campus de la UCA, Managua, Nicaragua</td>
<td>English</td>
<td>+505 278-0627 <a href="mailto:grigsby@ns.uca.edu.ni">grigsby@ns.uca.edu.ni</a></td>
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<td>19. 20 Jan 2009</td>
<td>Manuel Ortega</td>
<td>Director</td>
<td>CASC <em>(Social research unit at the Central American University in Managua)</em></td>
<td>Edificio CASC, Campus de la UCA, Managua, Nicaragua</td>
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<td>20. 20 Jan 2009</td>
<td>José Eduardo Gutiérrez Ossio</td>
<td>Public Sector Specialist</td>
<td>World Bank Country Office</td>
<td>De la Lotería Nacional 400vrs abajo, edificio Riguero 2do piso, Managua, Nicaragua</td>
<td>Spanish</td>
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<td>Carlos Pacheco Aliziaga</td>
<td>Advocacy Officer</td>
<td>Trócaire Country Office</td>
<td>Altamira d’este, De la distribuidora Vicky 5c al norte, Casa no. 2, Managua, Nicaragua</td>
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<td>+505 270-7697 <a href="mailto:cpacheco@trocnaire.org.ni">cpacheco@trocnaire.org.ni</a></td>
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<td>22.</td>
<td>25 Jan 2009</td>
<td>Salvador Segovia</td>
<td>Director</td>
<td>IISI, Honduras (Institute for the development of advocacy skills in civil society)</td>
<td>Guatemala City, Guatemala</td>
<td>Spanish</td>
<td><a href="mailto:tacuazino@yahoo.com">tacuazino@yahoo.com</a> <a href="mailto:iisi.honduras@yahoo.com">iisi.honduras@yahoo.com</a></td>
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<td>23.</td>
<td>26 Jan 2009</td>
<td>Edelberto Torres-Rivas</td>
<td>Sociologist</td>
<td>UNDP (United Nations Development Programme)</td>
<td>Europlaza, Torre 4, Zona 14 Guatemala City, Guatemala</td>
<td>Spanish</td>
<td>+502 2384 3225 <a href="mailto:Edelberto.torres@undp.org.gt">Edelberto.torres@undp.org.gt</a></td>
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<tr>
<td>24.</td>
<td>8 Jun 2009</td>
<td>George Gray Molina</td>
<td>Economist (former member of the government technical unit UDAPE)</td>
<td>University of Oxford</td>
<td>Oxford, UK</td>
<td>English</td>
<td><a href="mailto:graymolina@gmail.com">graymolina@gmail.com</a></td>
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<tr>
<td>25.</td>
<td>29 Sep 2009</td>
<td>Ann Chaplin</td>
<td>Independent Consultant</td>
<td></td>
<td>Her home, Cristo Rey, La Paz, Bolivia</td>
<td>English</td>
<td><a href="mailto:achalin@megalink.com">achalin@megalink.com</a> +591 242 2302</td>
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<td>26.</td>
<td>1 Oct 2009</td>
<td>Fernanda Wanderley</td>
<td>Academic</td>
<td>CIDES (Postgraduate research school of the national university)</td>
<td>CIDES, Obrajes, La Paz, Bolivia</td>
<td>Spanish</td>
<td><a href="mailto:fernandawanderley@cides.edu.bo">fernandawanderley@cides.edu.bo</a></td>
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<td>27. 5 Oct 2009</td>
<td>Javier Gómez</td>
<td>Director</td>
<td>CEDLA <em>(NGO dedicated to research and investigation of employment)</em></td>
<td>CEDLA Office, Sopacachi, La Paz</td>
<td>Spanish</td>
<td>+591 2 2413175</td>
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<tr>
<td>28. 5 Oct 2009</td>
<td>Roger Cortéz</td>
<td>Political Analyst</td>
<td></td>
<td>His home, Laguna Cota Cota, La Paz</td>
<td>Spanish</td>
<td>+591 71549285</td>
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<td>29. 5 Oct 2009</td>
<td>Mabel Miranda</td>
<td>Independent consultant <em>(Facilitator of the second PRS process)</em></td>
<td></td>
<td>Café Alexander, Sopacachi, La Paz, Bolivia</td>
<td>Spanish</td>
<td>+591 77268081</td>
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<td>30. 5 Oct 2009</td>
<td>José Luis Carvajal</td>
<td>Senate candidate <em>(former director of the National Statistics Unit)</em></td>
<td></td>
<td>His home, Sopacachi, La Paz, Bolivia</td>
<td>Spanish</td>
<td>+591 70635003</td>
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<td>31. 6 Oct 2009</td>
<td>Javier Zavaleta</td>
<td>Deputy of the ruling party, MAS</td>
<td></td>
<td>Café Alexander, Centre, La Paz, Bolivia</td>
<td>Spanish</td>
<td><em>Through Mabel Miranda</em></td>
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<td>32. 7 Oct 2009</td>
<td>Carlos Carafa</td>
<td>Sociologist and Programme Officer</td>
<td>COSUDE <em>(Swiss development agency office)</em></td>
<td>COSUDE, Obrajes, La Paz, Bolivia</td>
<td>Spanish</td>
<td><em>Through Javier Gomez</em></td>
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<td>33. 7 Oct 2009</td>
<td>Porfirio Cochi</td>
<td>Independent consultant <em>(Trade unionist from El Alto, facilitator of participation in the second PRS process)</em></td>
<td></td>
<td>Café Ciudad, Plaza de Estudiantes, La Paz</td>
<td>Spanish</td>
<td><a href="mailto:cochipor@hotmail.com">cochipor@hotmail.com</a> +591 712-14702 (70649078)</td>
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<td>8 Oct 2009</td>
<td>Marco Mendoza</td>
<td>Lawyer overseeing national election observation processes in 2009 (Facilitator of participation in the second PRS process)</td>
<td>National Election Observers Office, Sopacachi, La Paz, Bolivia</td>
<td>Spanish</td>
<td><a href="mailto:martonio_mendoza@yahoo.es">martonio_mendoza@yahoo.es</a></td>
<td>+591 72527663 o 70592492</td>
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<tr>
<td>8 Oct 2009</td>
<td>Juan Carlos Requena</td>
<td>Director (Former consultant working with the Central Bank, recruited to write the first PRS with UDAPE 2001)</td>
<td>SOBOCE (Bolivian cement corporation)</td>
<td>SOBOCE Offices, Centre, La Paz, Bolivia</td>
<td>Spanish</td>
<td>+591 2 240 6040</td>
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<tr>
<td>9 Oct 2009</td>
<td>José Carlos Campero</td>
<td>Independent Consultant (Former consultant to the government technical team UDAPE)</td>
<td>Café Alexander, San Miguel, La Paz, Bolivia</td>
<td>Spanish</td>
<td>+591 706 13957</td>
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<tr>
<td>12 Oct 2009</td>
<td>Miguel Urioste</td>
<td>Director (Former senator involved in drawing up the Law for Popular Participation 1993)</td>
<td>Fundacion Tierra (NGO working on land rights)</td>
<td>Calle Hermanos Manchego 2566, Sopacachi, La Paz, Bolivia</td>
<td>Spanish</td>
<td><a href="mailto:m.urioste@ftierra.org">m.urioste@ftierra.org</a></td>
<td>+591 2 2432263</td>
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<tr>
<td>12 Oct 2009</td>
<td>Ernesto Pérez</td>
<td>Researcher</td>
<td>United Nations Development Programme Country office</td>
<td>UN Building, Calacoto, La Paz, Bolivia</td>
<td>Spanish</td>
<td>+591 70588500</td>
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<td>12 Oct 2009</td>
<td>Lorenzo Solis</td>
<td>Director</td>
<td>CIPCA (NGO working on civil society)</td>
<td>CIPCA offices, C/Cladio Peñaranda #2706</td>
<td>Spanish</td>
<td>+591 2 2910797</td>
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<td>12 Oct 2009</td>
<td>Ana Stodberg</td>
<td>Country Representative</td>
<td>SIDA (Swedish development agency country office)</td>
<td>SIDA office, Sopacachi, La Paz, Bolivia</td>
<td>English</td>
<td>+591 2 243 4943</td>
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<td>13 Oct 2009</td>
<td>Julio Mallon</td>
<td>Independent consultant (Member of the technical team for 2nd PRS process)</td>
<td></td>
<td>Brosso Café, Centro, La Paz, Bolivia</td>
<td>Spanish</td>
<td>+591 70191138</td>
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<td>42</td>
<td>13 Oct 2009</td>
<td>Juan Carlos Aguilar</td>
<td>Consultant (Author of ISS country reports)</td>
<td>SAXgr (Public policy consultancy firm)</td>
<td>SaxGr Office, San Miguel, La Paz, Bolivia</td>
<td>Spanish</td>
<td><a href="mailto:jcaguilar@saxgr.com.bo">jcaguilar@saxgr.com.bo</a> +591 2 2791106 x103</td>
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<td>43</td>
<td>13 Oct 2009</td>
<td>Ivonne Farah</td>
<td>Director</td>
<td>CIDES (Postgraduate research school of the national university)</td>
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<td>Spanish</td>
<td><a href="mailto:ivonnefarah@cides.edu.bo">ivonnefarah@cides.edu.bo</a> +591 2 2786169 0 70575087</td>
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<td>44</td>
<td>14 Oct 2009</td>
<td>Carlos Toranzo</td>
<td>Political analyst</td>
<td>Fundacion Ebert (German NGO)</td>
<td>Fundacion Ebert, Obrajes, La Paz, Bolivia</td>
<td>Spanish</td>
<td><a href="mailto:c.toranzo@yahoo.com">c.toranzo@yahoo.com</a>, +591 77206751</td>
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<td>45</td>
<td>15 Oct 2009</td>
<td>Horst Grebe</td>
<td>Director</td>
<td>Instituto Prisma (Political think-tank)</td>
<td>Instituto Prisma, San Miguel, La Paz, Bolivia</td>
<td>Spanish</td>
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<td>16 Oct 2009</td>
<td>Irene Tokiarksi</td>
<td>Programme Officer</td>
<td>GTZ (German development agency)</td>
<td>German Embassy, Sopacachi, La Paz, Bolivia</td>
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<td>+591 2 244066 <a href="mailto:irene.tokarski@diplo.de">irene.tokarski@diplo.de</a></td>
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<td>47.</td>
<td>16 Oct 2009</td>
<td>Susana Mejillones</td>
<td>Programme Manager</td>
<td>CIPCA El Alto (NGO working on local civil society participation)</td>
<td>Cipca Office, El Alto, La Paz, Bolivia</td>
<td>Spanish</td>
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<td>3 Nov 2009</td>
<td>Rafael Garcia Mora</td>
<td>Director</td>
<td>ACLO (NGO working on rural development)</td>
<td>ACLO Office, Sucre, Bolivia</td>
<td>Spanish</td>
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<td>3 Nov 2009</td>
<td>Paulino Guerachi</td>
<td>Regional Director</td>
<td>Fundacion Tierra (NGO working on land rights)</td>
<td>Fundacion Tierra office, Sucre, Bolivia</td>
<td>Spanish</td>
<td>+591 6 445092, 7192174</td>
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<td>50.</td>
<td>3 Nov 2009</td>
<td>Roberto Pozo</td>
<td>Programme Officer</td>
<td>ACLO (NGO working on rural development)</td>
<td>ACLO Radio Station, Sucre, Bolivia</td>
<td>Spanish</td>
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<td>51.</td>
<td>6 Nov 2009</td>
<td>Roberto Laserna</td>
<td>Economist</td>
<td>CERES (Independent research firm)</td>
<td>CERES office, Cochabamba, Bolivia</td>
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<td><a href="mailto:laserna_r@yahoo.com">laserna_r@yahoo.com</a> 4293289</td>
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<td>52.</td>
<td>9 Nov 2009</td>
<td>Juan Carlos Nuñez</td>
<td>Director</td>
<td>Fundacion Jubileo (Catholic social debt forum)</td>
<td>Fundacion Jubileo, Centro La Paz, Bolivia</td>
<td>Spanish</td>
<td><a href="mailto:juancanu@gmail.com">juancanu@gmail.com</a> 212 5177 0 2311074</td>
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<td>11 Nov 2009</td>
<td>Alcides Vadilio</td>
<td>Regional Director</td>
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<td>Café Victoria, Santa Cruz, Bolivia</td>
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<td>12 Nov 2009</td>
<td>Fernando Dick</td>
<td>Director (Worked with the technical team for the 2nd PRS process)</td>
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<td>+591 0103 344 6550 <a href="mailto:fdick@gntp.org">fdick@gntp.org</a></td>
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<td>13 Nov 2009</td>
<td>Carlos Hugo Molina</td>
<td>Independent Consultant (Involved in the implementation of the law for popular participation from 1993, part of the technical team for 1st PRS process 2000)</td>
<td>Santa Cruz, Bolivia</td>
<td>Santa Cruz, Bolivia</td>
<td>Spanish</td>
<td>3341551 o 72100353 <a href="mailto:carloshugom@gmail.com">carloshugom@gmail.com</a>, <a href="mailto:carloshugom@cotas.com.bo">carloshugom@cotas.com.bo</a></td>
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<td>13 Nov 2009</td>
<td>Marta Lazo</td>
<td>Director (Founding member of the directorate for implementing the national mechanism for social control in 2004)</td>
<td>Social Control Mechanism, Santa Cruz</td>
<td>Prefectural Offices, Santa Cruz, Bolivia</td>
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<td>16 Nov 2009</td>
<td>Ivan Arias</td>
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<td>Social Control Mechanism, Santa Cruz</td>
<td>Café Alexander, San Miguel, La Paz, Bolivia</td>
<td>Spanish</td>
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<td>16 Nov 2009</td>
<td>Marcelo Rengel</td>
<td>Independent Consultant (Vice-President for Participation in 2nd PRS process 2004-5)</td>
<td>Social Control Mechanism, Santa Cruz</td>
<td>Sopacachi, La Paz, Bolivia</td>
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<td>Emma Donlon</td>
<td>Country Director <em>(Former DFID social development advisor during the PRS process)</em></td>
<td>Christian Aid Country Office</td>
<td>Christian Aid, Obrajes, La Paz, Bolivia</td>
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<td>Jose Nuñez</td>
<td>Sociologist <em>(Member of the technical team for the second PRS process)</em></td>
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<td>22 Jun 2010</td>
<td>Joao Guimaeres</td>
<td>Economist <em>(Author of ISS reports on Nicaragua)</em></td>
<td>Institute for Social Studies <em>(Research Institute of the Erasmus University)</em></td>
<td>ISS, The Hague, Netherlands</td>
<td>English</td>
<td><a href="mailto:Guimaraes@iss.nl">Guimaraes@iss.nl</a></td>
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