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AALBORG UNIVERSITY
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“Good Governance” and “Participation”. Useful instruments in poverty alleviation?

Local processes in Bolivia

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Abstract.

The notion of good governance and participation are contested. The central themes within good governance and participation (democracy, anti-corruption and transparency) are agreed on as significant. Under neoliberal ‘hegemony’ within international policies, privatization is seen as an important instrument for good governance. In other circumstances democracy is at the heart of what good governance is, while privatization and openness are not valued as good governance *per se*. And yet again good governance and participation can be seen as important prerequisites for successful privatization by creating a stable civil society. The concepts of ‘good governance’ and ‘participation’ and their use in discourses and policies (in the ‘North’ as well as in the ‘South’) seem dependent on circumstances.

The discussions above will be used to analyse and discuss whether the notions of ‘good governance’ and ‘participation’ are in fact useful in poverty alleviation, seen from local and national perspective. This discussion will partly take its point of departure in the results obtained by a case study of Bolivia: How do NGOs work in Bolivia and how do they interact with other groups in civil society, in this case especially indigenous peoples’ organisations in rural Bolivia. ‘Good governance’ and ‘participation’ are concepts which are embedded in northern (in a north/south perspective) liberal market economy principles. This is problematic, since the good intentions of creating good governance, anti-corruption policies and transparency could cover over a strategy of getting access to and control of natural resources in developing countries. The paper will critically scrutinize this hypothesis by looking at the

reforms of privatization, popular participation and decentralisation implemented in the mid-90s and how they function at local level today by studying the work of the NGO 'ISALP'¹ in the department of Potosí. ISALP is funded by the Danish government's development assistance organisation, Danida.

Introduction

This paper focuses on decentralisation and democratisation processes in Bolivia.. It locates the discussions to the relation between an NGO, the state and local actors, especially village councils. As stated by Lewis: "NGOs remain a dominant force in the contemporary world, in relation to a broad range of areas that include development, globalisation, human rights and conflict. NGOs need to be studied both in their own right and as a keyhole into wider processes such as privatization, state transformation and changing gender relations (Lewis, 2007: 375). Here I will focus not so much on the NGO as a dominant force but rather on the processes of state transformation and the position of one NGO in southern rural Bolivia.

During the 1990s Bolivia went through a reform process which opened up for social inclusion of formerly marginalised groups of the Bolivian population, especially the indigenous people. The reforms included a land reform, a decentralisation and democratisation reform (*participación popular*), an educational reform and a privatisation reform.

In introducing the popular participation reform, the government depended heavily on NGOs in the distribution of information about the reform in the rural areas. These areas had not been included in the state administration since there were no formal channels of communication to the villages which are scattered around in the Bolivian territory. NGOs were thus in a way "co-opted" by the state administration in this process. Or maybe a new relation between donors, state and NGO was created, which could be explained by the notion "Dostango": "The term draws attention to particular relational issues between states, organisations and civil societies, and the ever-changing institutional, financial and conceptual interactions that takes place between DONor, STates and NGOs in time and place" (Tvedt, 2007: 41). The paper does not intend to describe the work of a single NGO, but rather try to relate the interactions between state, NGO and local actors in the implementation of a popular participation reform in Bolivia.

1 Investigación Social y Asesoramiento Legal Potosí

The reforms of decentralisation and popular participation were primarily directed at a *social* inclusion of formerly marginalised groups. Not much was done in terms of an *economical* inclusion.

In this connection, *social inclusion* means that formerly marginalised groups now have possibilities of participating in elections of municipal and national governments. Until recently it was not possible for many people in the rural areas to vote, since they lacked identification papers, which are needed to be able to vote. Obtaining birth certificate for example, meant that people had to travel to the place they were born to get the papers. This has been an obstacle for many since there is much poverty in rural areas, and people could not afford to travel. This has been part of the reason behind the success of the political system in Bolivia previously in excluding certain groups of the Bolivian population from power. It has changed now, indigenous people are now well represented in parliament and Bolivia has its first indigenous president, Evo Morales. Presently civil rights are being granted to all Bolivians. When it comes to *economical inclusion* not much has happened. Land distribution is still very unequal, despite attempts to better the situation for many rural poor. Infrastructure is weak and access to markets is difficult for a great part of the rural population. The informal sector in the cities is large, and many people are partly or full-time unemployed leading to a considerable poverty rate in Bolivia. The argument here is that perhaps social inclusion will over time create improvement for poverty alleviation in Bolivia, but without an economical inclusion directed at Bolivia's poor, this might not happen in the near future.

The Bolivian government led by Evo Morales seems to have continued a reformed neoliberal policy, allowing foreign direct investment in Bolivia in spite of a revolutionary discourse claiming to have nationalised oil and gas (Haarstad & Andersson, forthcoming). This paper questions whether the notions of “good governance” and “participation” are the most central tools in poverty alleviation for the rural poor in Bolivia. When reforms of the state are only focusing on the social issues and not economic issues, the inequality could continue for a while even though social inclusion also means inclusion in democratic processes².

Background

² Apart from the possibility to vote, social inclusion also covers better education (by way of the education reform), and the possibility to be acknowledged for the first time as “indigenous”, by way of the change in the constitution acknowledging that Bolivia is a multi-ethnic society.

The processes of decentralisation in Latin America have intensified during the last 20 years (Booth, 2004, ICHRP, 2005)). International aid agencies and economic reformers have stressed the importance of decentralisation and good governance programs as means to deconstruct the centralist state found in many Latin American countries and thereby reducing the administrative inefficiencies of the administrations (Willis et al., 1999). The decentralisation can be regarded as a tool for development, since decentralisation could empower the poor and marginalised part of the population (Jütting et al., 2004).

In Bolivia the poor are to be found, for the larger part, among the indigenous rural population and urban migrants from rural areas.

Until 1994 there were hardly any municipal governments in the rural areas, only the larger cities were divided in municipalities and as such receiving funds from the central administration. Most rural areas were marginalised, both because of missing infra structure in rural areas and because no state funds were redirected to the rural areas.

In 1952 Bolivia experienced a revolution and former rulers consisting of mine- and hacienda owners were overthrown. The state nationalised the income generating industries - first and foremost the mines. The Bolivian state became very centralised and focused primarily on nationalised industries and big cities. An agrarian reform was passed in 1953, but after this the prospect of development and progress in the rural areas was left behind by the Bolivian state. No new reforms to spur economic development reached the rural areas (Antezana, 1992; Crabtree, 2005).

The one-sided economical and political practice of staking on only mining- and other industries by the Bolivian state brought about serious problems, when the prices on Bolivia's most important export-good; tin, dropped drastically on the world market in 1985. The increased poverty and social disorder following the economical collapse made the IMF and other donors initiate a structural adjustment programme in Bolivia. The presence of external donors combined with a pressure from the Bolivian population and a political wish for

changes, fostered several reforms³ in the beginning of the 1990s, among these the law on Participación Popular - a decentralisation and democratisation reform which established municipalities all over rural Bolivia⁴.

The rural areas of Bolivia have played a minor role in the state's economical development after the 1952 revolution, due to the above mentioned nationalised mining industry (Malloy, 1989). Once the agrarian reform of 1953 redistributed land as individual owned plots to former workers on the haciendas, these areas, and the rest of rural Bolivia, have played a minor economical role in the state. The majority of the rural population is indigenous.⁵

As a consequence of the marginalised rural areas, some have described Bolivia as a 'weakly integrated territory' (Vilas, 1997). This signifies that politics, development and economic growth only occurred in specific areas of the Bolivian territory, mostly the big cities⁶. Apart from this economical exclusion of the rural population, a cultural exclusion took place as well. The 'campesinos' (peasants) were by city people and rural elites regarded as primitive people (Cusicanqui, 1990; Rockefeller, 1998), who were not part of the 'modern' Bolivian state. Seeing the indigenous population as backwards, and as an obstacle to the modernizing process is not a Bolivian phenomenon only. Many Latin American countries have had the mono-cultural nation-state as a model for the modernisation process. Only during the last fifteen years the discourse on the multi-cultural society has gradually influenced the political agenda of many Latin American states (Ströbele-Gregor, 1994; Brysk, 2000).

Participation

In 1994, the Bolivian constitution was altered to acknowledge, that Bolivia is a multiethnic and multi-cultural society. This acknowledgement of the indigenous population is also part of the law on Participación Popular: "The present law acknowledges, promotes and consolidates

3. Among these are an education reform, an agrarian reform (INRA), a law of privatisation, an education reform, and an alteration of the constitution admitting that Bolivia is a pluricultural and multiethnic society. More than 50% of the population is indigenous.

4 In connection with the implementation of the popular participation reform, donors were very active in registering the rural population and helping them to obtain formal papers in order to making it possible to vote for municipal elections. This has meant an inclusion of the indigenous rural population in the new municipalities, and in many municipalities they are represented as council members.

5. The groups of indigenous people come to a 71% or 85% of the population, depending on the definition used. See Ströbele-Gregor, 1994:106.

6. And the agroindustrial areas of the Santa Cruz Department.

the process of popular participation, allowing the indigenous population, the peasant population and the neighbourhood associations [in cities], respectively to enter the juridical, political and economical life of the country” (Ley de Participación Popular, artículo 1, own translation). According to the law-text Participación Popular should change former politics of exclusion and marginalisation of the rural areas. What is very important for the new municipalities is the redistribution of the state’s funds to the municipal level. 20% of the state’s income must be redistributed to the municipalities. Of this amount, 15 % can be used for administration and 85 % must be spent on projects in the municipality.

The law on popular participation intended to present solutions to the conflict between “the principles of representative democracy and the “corporative” articulation of the interests of functional groups, by giving greater expression to interests defined in territorial rather than functional terms; and attempting to marrying the principles of representative and participatory democracy” (Booth, 2004:23). This was supposed to happen by having on the one side municipal authorities elected on the basis of registered political parties and also offering authority to *Comités de Vigilancia* (vigilance committees), which are representing local grass roots community organisations like for example village councils with their tradition for representative and direct democracy. The vigilance committees was a new construction in the municipalities, it did not exist before the reform was implemented. Many villages in Andean Bolivia, for example, have been governed by a village council, where decisions have been made in consensus. Every position (“cargo”) from being announcer of meetings, head of different tasks (for ex. irrigation), to head of the village council are taken by male members of the village in rotation and for a certain period only , so that everybody gets to fill each position at least once. These village councils have successfully ruled in local areas marginalised by the state, and it is these types of social organisations and ways of ruling, the popular participation reform intended to include by way of vigilance committees in the reform process.

The vigilance committees are an “artificial” construction, though, which is supposed to function apart from village councils, and villagers are supposed to elect representatives for the vigilance committees. The people in the villages have not taken up the use of the vigilance committees, since they have had their village councils, and it would perhaps have made more sense to include the heads of the village councils (using the existing social organisations in

the reform) instead of creating a completely new form of organisation. Thus the vigilance committees have not been functioning well, allowing for national political parties and local elites to maintain power in many new municipalities and being able to determine the local, municipal policies without much attention to the indigenous grass root organisations (Booth, 2004)

Bolivian administration has been severely affected by corruption and transparency is missing at all levels. One of the means to avoid this corruption on the local level could be the social control by the vigilance committee, which is meant to represent the people of the municipality and their social organisations, as mentioned above (Ministerio de Desarrollo, 1998). The vigilance committees can propose projects to the municipal councils. Ideally the vigilance committee must take part in the municipal planning and thereby heighten the representation of the inhabitants and grass root organisations of the municipality. Furthermore the committee must revise the budgets of the municipal government. The committee's tasks are supposed to add transparency and accountability to the municipal government and administration. This is not obtained in many municipalities yet. One reason is that the people in the communities, who join the vigilance committee do not have the capacities to control municipal budgets. NGOs are assisting local communities in the communication and collaboration with the municipality, but as a consequence of this lack of local capacity "national political parties have maintained much of their power to dictate local arrangements. Despite any challenges, coalition politics and horse-trading of the spoils of office are alive and well at the basis of local as well as national politics in Bolivia" (Booth, 2004:24). Although this is a general trend, there are political parties, which try to help indigenous people being elected to municipal governments. This way indigenous people may increase their social inclusion by actively taking part in the municipal governance:

Doña Josefina, who was in 1998 elected from the one of the ayllus in the area ⁷ to enter the municipal council of Uncía (Norte de Potosí)⁸, chose to run for the municipal elections and being only formally connected to a political party. The practise of the political parties has been to seek the potential political candidates among the rural population, and offer them a

7 Social organisation in Andean areas, which are dating back before the conquest. This social organisation is closely linked to cultivation of land in the Andean area, which often requires special indigenous knowledge and technology. Cultivating steep mountain slopes required manpower and organisation, which is included in the ayllu structure.

8 Fieldwork in Norte de Potosí, october, 2000

place on the list of the political party and later trying to gain influence by way of the indigenous representative in the municipal council. Since the only way to be elected is on a list of a political party, the potential local candidates do not have much choice. The major parties offer a place near the bottom of the list, where the candidates from the ayllus have almost no chance of being elected (Crabtree, 2005). Some parties, though, have opened their list to local candidates, for example the parties NFR (Nueva Fuerza Republicana) and MAS (Movimiento al Socialismo). Doña Josefina was elected on the list of NFR. She did her campaign on foot, dressed in her traditional clothes and taking an indigenous band with her. This way she did as stated as one of the aims of the popular participation reform; “allowing the indigenous population, the peasant population and the neighbourhood associations [in cities], respectively to enter the juridical, political and economical life of the country” (Ley de Participación Popular). She entered the political life on her own terms and distanced herself from political parties, which had until then been elitist and excluding the indigenous population.

Doña Josefina has during her time in the municipal council felt the ‘urban/rural gap’ that exists in Bolivia. The people of the urban centres have been used to being able to dominate the rural areas – the ayllus – for centuries and changing these practises is not easy. Furthermore she has felt a ‘double’ discrimination being a woman *and* indigenous. . Therefore, even though Doña Josefina achieved election to the municipal council, this does not always include immediate access to power structures locally.

This failure to include the majority of the indigenous rural population has been part of the reason why rebellions and uprisings by social and grass root organisations have so strongly been expressing dissatisfaction with former elite political decisions. The lack of inclusion and transparency seem to have spurred mass demonstrations from all parts of Bolivian civil society, and these uprisings formed the background for the election of the present-day president, Evo Morales.

The question is, however, whether the law on Participation Popular in fact serves its purpose, when we regard it from the level of the villages. There are several indications of this not being the fact. For rural dwellers the solution to various practical needs has been for the villages to deal with these themselves. With reference to an electrification project, one villager says: ‘The village asked to have a project of electrification but until now the municipality has not

met its obligations. For us nothing has changed with Participación Popular, we have always ourselves dealt with things. Our fathers and grandfathers gave contributions and participated in faenas (mutual work). We still do the same if we want something done in the community’.

The different social patterns existing on different levels of the Bolivian society, makes it difficult to grasp the overall implementation process and its effects on all levels. The law on Participación Popular states in the law text the inclusion of the indigenous, rural population as one of its objectives, as cited above. But the practice of the political parties and the government in the implementation of the law indicates that what is actually occurring in the municipalities is sometimes an exclusion of the indigenous population. The question is whether NGOs have a role to play in bettering the participation of indigenous people on the local level.

As stated in the introduction, the main interest in this paper is the interplay of different actors on the local level: communities, state, donors and NGOs. In principle the reform of popular participation was a tool to include formerly excluded groups, but it seems like the State is lacking the ability to fully include the population in the communities, since there are no lines of communication between state and community. Here the NGOs have helped as mediators between state, municipalities and donors. Donors are following this process of decentralisation closely, and have partly been involved in the introduction of popular participation by stressing the need for good governance, including a focus on indigenous rights, transparency etc.

In the Potosí department in southern Bolivia the NGO ISALP has been doing an extensive job of including communities in the process and implementation of popular participation by spreading information about the reform and helping villages to formulate project proposals to the municipalities.

Good governance

Good governance can be seen in a conditionality perspective, where the notion of good governance is representing an act of ‘disciplining democracy’ (Abrahamsen, 2002). In Bolivia the reforms of popular participation and decentralisation were introduced after strong recommendations from international donors (Booth 2004). Since Bolivia has had an oligarchic party system for many years (Crabtree, 2005), power was concentrated around a

small elite. Bolivia inherited a centralist system of rule from the Spanish colonial rule, where the predominance of state structure over civil society prevails. The capital of La Paz is the centre of all government institutions, and due to Bolivia's difficult geography, the government and limited civil services have had difficulties in penetrating the state's territory. This element of rule from the capital city, with very limited efforts to extend government or devolve significant authority to the regions has persisted until recent decades (Booth, 2004:15). As mentioned above, the political system in Bolivia has been elitist and political parties have been driven by patronage (Malloy, 1989) with formation of coalitions on the basis of post-election horse-trading rather than ideological sympathy or political agreement. (Gamarra & Malloy, 1995).

The practice and culture of the political parties in Bolivia today also originate from the national revolution of 1952. Most political parties in Bolivia today were created during or after the revolution. The ruling party after 1952, MNR⁹, nationalised the country's major assets: The mines and major industries. Thus the MNR over time created a state, where the ruling political party had sovereign power over the states= assets (Malloy 1989). The government introduced a 'redistributive policy' directing money to the party supporters (Lavaud, 1998, Crabtree, 2005) which was put into practice by using channels through the party and the workers union¹⁰. A number of jobs were created in the public administration and industries. In the nationalised mines, for example, the number of workers rose from 28.973 in 1952 to 36.558 in 1956 (Lavaud, 1998:46). And in the state administration a large number of jobs became available to the persons who were loyal to the party in power.

This 'redistribution of national resources' from the oligarchic mine and hacienda owner ruled state to the revolutionary state created a patron-client relation between the revolutionary government leaders and their supporters (Booth, 2004, Crabtree, 2005). The state and its government changed from a revolutionary state (the 1952 revolution) to a state governed by political 'patrones' who redistributed the state's assets to their clients by way of jobs and other advantages. The main reason for this to occur was the relatively poor development of

9. MNR: Movimiento Nacional Revolucionario (National Revolutionary Movement). MNR started as a revolutionary movement and transformed into a political party after the revolution.

10. The workers union was created by the MNR in the years after the revolution. Later this union transformed into the current COB (Central Obrero Boliviano).

the Bolivian industrial and agricultural sector. There was hardly any economic progress in the country aside from the nationalised industries.¹¹ This had damaging effects on the possibilities for the rural areas to make economical progress, since these rural areas (outside the Santa Cruz region) were economically marginalised in the state ruled by the political *patrones*, who did not support the indigenous rural population.

The post 1952 political practices created a system, where a separation of fiscal and political duties is difficult to accomplish. As a consequence, the ruling political party could secure its followers jobs and advantages. It also meant, that when the government changed from one party to another after an election, the country's administrative personnel changed, since all public employees were replaced by clients of the new government. Extraction of the state's funds and a patron-client system in the civil service has been the result of the processes and relations between state and political parties since 1952. The consequences of this are serious for the possibilities of performing 'good governance' in Bolivia today, from the national to the municipal level. The intended outcome of the popular participation reform from the government's (and international donors') point of view was to implement a new form of governance in the rural areas, i.e. by creating new municipalities

There is good reason to contest the notion of good governance (Rosebury, 2001). The central themes within good governance (democracy, anti-corruption and transparency) are agreed on as significant when introducing good governance (Moore & Robinson, 1994; IMF, 1997; Hout 2002,; Hood & Heald, 2006). Other elements do not seem as fixed - for example privatization and focus on market economy as such. Under neoliberal "hegemony" within international policies (Kohl, 2006), privatization is seen as an important instrument for good governance. In Bolivia a privatization reform was introduced in 1994. This was at the same time as the decentralisation and democratisation reforms were introduced, so one could argue that privatisation and good governance reforms go hand in hand in Bolivia. On the other hand one could also argue that good governance is a prerequisite for privatisation (Haarstad & Andersson, forthcoming), since a good investment climate calls for a stable civil society without social unrest. Good governance and poverty alleviation are not easily obtained in rural Bolivia where power structure has been elitist and centralised by the state. NGOs in

11. In 1952 the mines represented more than 80% of the states income. Before the revolution 70% of the cultivable land was owned by haciendas. (Mesa et al. 1994:495).

Bolivia have taken part in the inclusion of civil society in the reform process by helping disseminating knowledge of the new reforms and assisting the communities in formulating projects to be supported by the new municipal governments.

NGO's in Bolivia

In the southern rural part of Bolivia many communities are located far from roads and not easily accessible. Spreading knowledge in the 1990s about new reforms depended heavily on NGOs which were there already working with the communities. My own fieldwork in a municipality in the Potosí department in 1998-1999 showed that there was little knowledge of the new reforms among the rural population, especially among the women who were taking care of their houses and fields, while their husbands often worked as migrant workers in Bolivia's bigger cities or in neighbouring countries. Village leaders, who had contact with NGOs and who had participated in the courses held by these NGOs had some knowledge of the reforms. But the lack of knowledge at that time was a problem for the rural population, since they could not participate in the municipal elections the way they were supposed to. More knowledge about the reforms has been spread, and presently most of the rural population participates actively in the local democracy. Power structures are beginning to change at local level and municipalities have now some participation of indigenous people in the municipal councils.

As already mentioned ISALP was one of the NGOs that were working together with state and departmental administrations in disseminating knowledge about democratisation at the local level. This NGO already had established collaboration with a Danish NGO and with Danida, the Danish development assistance organisation. Since the Bolivian state, Danida and northern NGOs supported spreading of information of new laws, ISALP and other local NGOs were some of the key-actors in this process. The question is therefore whether the state could have introduced the reforms without the help of the NGOs in distributing information and assisting in the implementation.

Today money is decentralised from the state to departments and municipalities. But many areas, for example in the department of Potosí, are still marginalised, and projects do not

reach all communities. Furthermore there is a lack of capacity in the rural municipalities regarding people who are skilled to taking part in local government - for example in the process of making POAs (Plan operativo annual/annual plan), which are required by the state in order to redistribute money to the municipalities. Both in communities and in municipalities NGOs are working to fill the knowledge gap and helping formulating projects. Communities do not receive money for projects unless they send an application to the municipality. And since communities often do not possess the knowledge of how to formally write an application, the help from an NGO is of value to the local population. Also as mentioned, many small municipalities have difficulties in making the POAs which are needed to receive money from department and State, and also here NGOs are helping.

To sum up, the reform of *participación popular* and the decentralisation reform would not work in many municipalities without the help of NGOs. This is not unusual in developing states (Opuku-Mensah et al., 2007). In weak states poverty and social exclusion are common for rural populations. Civil society organisations with a relation to the state administration are almost non-existent even though a variety of local organisations exist. These local organisations, like the *ayllu* and village councils, have managed governance at the local level, but the relation to the departmental or state levels have not been formalised.

Bolivia has been a major receiver of foreign aid since the mid-1980's where the country's economy failed severely, and a large number of NGOs have emerged. These NGOs have been supported both by Northern NGOs and state development organisations (like the Danish Danida). The work of these NGOs has mainly expressed foreign donor interests, but in the 1990s the reform process in Bolivia created a new role for the NGOs working in rural areas as mediators between state and communities in implementing the popular participation reform.

I have mentioned a connection between neoliberalism and reforms of good governance in developing countries. In Bolivia there seems to be a close relation between the two. Both the privatization and the democratisation reforms were implemented in the mid-1990s as a part of a bigger reform process. Good governance and privatization could be dependent on each

other¹². In order to create the best conditions for neoliberal policies – like privatization – it is crucial that civil society is accepting the reforms. In Bolivia there has been social unrest and protests as a consequence of the privatization reform (Kohl, 1994). Since foreign direct investment has been a policy since the first neoliberal reforms of the Paz Estenssorro government in 1985, it has been of increasing importance that this social unrest could be curbed in order to create the best conditions for foreign investment. The reforms of decentralisation, democratisation, land and education can in this connection be regarded as tools of creating social stability because their main aim is a social inclusion of marginalised groups. They could be regarded as progressive, enhancing good governance and participation.

On the other hand they can be seen as reforms directly supporting neo-liberal policies because they do not incorporate an economic inclusion for the marginalised groups. No tax reforms have been introduced. The land reform is not fully including the big estates of the tropical parts of Bolivia, where a minority owns a majority of the land. So the reforms of popular participation and decentralisation have created social inclusion – and this has been with the help of NGOs, but the economical inclusion is still missing.

Conclusion

In the title of this paper, the question was raised whether good governance and participation are useful in poverty alleviation. Seen from the local level in the Potosí department formerly marginalised indigenous communities do seem to have obtained formal rights to participate in local governance by way of the municipal councils, and thereby a possibility of combatting poverty at the local level. But one thing is formal rights. What is needed in the rural areas of Bolivia is capacity building among the population, since the lack of knowledge on many levels seem to be the greatest obstacle to developing the rural areas.

Good governance and participation are central notions in current development aid. NGOs have an essential role to play in implementing this at the local level in Bolivia. The question is whether good governance and participation are useful in poverty alleviation, if they stand alone. If no economic reforms directed at some form of rural development (easier access to

12. Haarstad & Andersson, forthcoming

markets, infrastructure, introduction of new technologies) are introduced, participation in municipal governments may be of minor interest and use for local rural populations.

Regarding state transformation, the NGOs in Bolivia have played a key role in implementing new reforms on local level. The relation between donors, state and NGOs has been close in this case, since donors and NGOs have played an active role in implementing Bolivian state reforms. NGOs have thus not been opposing the state in this case but have rather been supporting the reforms coming from the state *and* at the same time they have supported local communities in their attempt to take part in the new processes.

In conclusion the answer to the question must be both a yes – and a no. Good governance and participation do enforce empowerment and capacity building in including marginalised groups – *social* inclusion. And in a longer time span this might lead to poverty alleviation. But if good governance and participation are not linked to economic reforms benefiting the rural poor, and thus not initiating an *economical* inclusion, alleviating poverty in Bolivia's rural areas is not just around the corner.

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