A Politico-Sociological Account of Donor Practice and Aid Effectiveness: Donor-Recipient Relationships in Bolivia*

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This discussion paper intends to stimulate debate on an often neglected subject: the socio-political aspects of donor practice and their relation to the effectiveness of development cooperation programs. It does so with reference to donor-recipient relationships in Bolivia – a country in which donors take an unusual interest since the structural reform era of the 1980s. After more than two decades of democracy and twenty years of structural reforms, Bolivia now stands at a crossroad of political and economic development. The last few years of economic and social crisis have further emphasized the fact that Bolivia – the model student of the World Bank's structural reform programs – has not achieved the level of economic growth and poverty alleviation that its governments, its civil society and its present donor community had hoped for. Despite Bolivia's success in achieving macro-economic stability, 64.5% of the population continue to be poor in 2002. Between 1999 and 2002, the economy grew at 1.7% – an economic growth rate lower than population growth during the same period. This has resulted in a decline of the BIP per capita of 0.4% per annum.[1] To many involved, these disappointing figures come as a surprise. Between 1998 and 2002,

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1 República de Bolivia (2003) "Revisión de la Estrategia Boliviana de Reducción de la Pobreza 2004-2007. Bolivia - Una Alianza hacia las Metas del Milenio", XV Grupo Consultivo, Septiembre, La Paz: 2-4.

Bolivia has received an average of US$ 616 million in official development assistance (ODA), which makes it the largest aid recipient in South America [2] In addition, Bolivia was the first Latin American country to be considered under the Highly Indebted Poor Country (HIPC) Initiative. It received US$ 448 million debt relief in 1998, and an additional US$ 854 million through the Enhanced Highly Indebted Poor Country Initiative (HIPC II) in 2001.[3] The Bolivian government and its aid donors alike struggle to find an explanation as to why these monies have not propelled Bolivia's development.

Within the international donor community, emphasis has recently shifted from structural reforms to institutional strengthening. The argument brought forward is that structural reforms can only be sustainable when sound and effective political institutions support them. For that reason, donor cooperation with Bolivia has focused to a large extent on institutional strengthening and political reform, particularly with respect to decentralization and civil society participation. Progressive innovations, such as the Law of Popular Participation and the Law of the National Dialogue have further strengthened Bolivia's image as a "donor darling". Its reforms have appealed to and attracted a substantial amount of aid money in the field of political and institutional reform. Some donor countries actually have their largest political reform programs in Bolivia. The focus of many of these programs has shifted to power relations, clientelism and corruption–in short: failure of the Bolivian government. These might well be worthwhile problems to solve. Yet, the present article argues that one particular aspect is continuously neglected when discussing the many causes of donor assistance's unsatisfying effectiveness. How does the way in which donors operate impact on the effectiveness of their programs? In a country like Bolivia, where donor agencies are very influential, the author argues that donors have to be conceived as socio-political actors. Few people ask to what extend the way in which donors interact is a cause of failure of recipient governments. To shed light on this issue, the article will first discuss standard donor practice.[4] To do so, it will examine donors' guiding principles and their coherence, internal incentive structures and the contexts in which donor action takes

2 Organisation for Economic Cooperation and Development (2004): Geographical Distribution of Financial Flows to Aid Recipients 1998-2002, Paris: OECD.

3 Net present value. World Bank (2003): "HIPC Initiative: Status of Country Cases Considered Under the Initiative", September, Washington D.C.

4 This analysis is based on the accounts collected during a series of interviews conducted in Europe and Bolivia between March 2003 and March 2004.

place. In a second step, the article will discuss differences in perceptions and the use of language between the donors and the recipient organizations. To do so, it examines the attributed importance of state–civil society relations and investigates into what constitutes genuine local ownership. To conclude, the author recommends donors to increasingly reflect on their own actions to increase the effectiveness of their aid programs.

Donor Practice

Donor agency functionaries tend to come with an academic view on political and economic change in Bolivia that perceives themselves as external observers and their work as politically neutral.[5] From this standpoint, donor agencies supposedly have better solutions to Bolivian problems than the government, whose different parts are perceived to be engaged in power struggles and clientelistic relations that are perceived as hindering them from initiating change. Yet, donor functionaries come with an intrinsic agenda, with values and principles. They play a particular role in Bolivian state-society relations and thus form part of the country's socio-political context.

Guiding Principles and Coherence

Although the donor community is far from homogenous, its international nature makes it share particular principles to guide donors' work. These evolve from the international academic literature on donor practice and development issues as well as from new priorities put forward by the United Nations system, which includes the World Bank Group. Although such principles are not stable over time, today's priorities can be identified with reference to current debates within the development community. The development community today focuses on economic growth and poverty reduction with respect to economic development and on civil society participation and administrative decentralization with respect to political reform.[6] On a technical level,

5 Several donor agencies have considered policy influencing as a means of inducing political reform. However, these policy influencing tools hardly ever consider the unintended consequences of their intended action – which are vital for comprehending socio-political interaction.

6 The importance and relationship between poverty reduction and economic growth is discussed in World Bank (2001): World Development Report 2000/2001: Attacking Poverty. New York: Oxford University Press. For the relationship between participation and decentralization, see United Nations Development Programme (1993) Human Development Report 1993: People's Participation. New York: UNDP.

the principles of aid effectiveness and aid efficiency are emphasized [7] With respect to development cooperation between the international donor and the recipient government, the development community wants to forge partnerships in development and foster national ownership of cooperation programs [8]

Table: Donor Principles

Country Development Cooperation	*economic*	economic growth	poverty reduction
	political	decentralization	participation
	technical	aid effectiveness	aid efficiency
	relational	equal partnership	national ownership

Source: own design

The present article can only touch upon these principles without discussing them in detail Although each one of the principles might make sense in and for itself, the combination of them presents some problems as to their realization For example, there is a tension between swift and efficient political reform and extensive civil society participation throughout the process. Or, how can poverty alleviation be achieved while guaranteeing national ownership of the program when poverty alleviation is just not a government or civil society priority? On a similar note, equal partnership between a donor and a recipient might reduce aid effectiveness in a country like Bolivia where the recipient governments change frequently These tensions might not be unsolvable, but require a certain extent of self-reflexivity and prioritization on the part of the donor community Otherwise, both the donors and recipients will use such popular "buzz words" to blur interests of a different nature This would deprime the above mentioned principles of their content

Internal Incentive Structure and Contexts of Donor Action

One of the root causes of these paradoxes is the way in which donor agencies are structured The personal career of a donor functionary to a great extent depends on the success of its programmes and projects, which is usually documented by the production

7 For a discussion of aid effectiveness and efficiency, see World Bank (1998) Assessing Aid What Works, What Doesn't and Why, New York Oxford University Press

8 For a critical discussion of origin of 'ownership' and 'partnership', see Alf Morten Jerve (2002) "Ownership and Partnership Does the New Rhetoric Solve the Incentive Problems in Aid?" in Forum for Development Studies 29 (2) 389-407

of government reports, the financial budget of a program and the like. There is an intrinsic need for the individual donor representative to spend the budget, so that its program will continue to exist in the future, and to deliver presentable results, such as the production of a PRSP or the organization of a National Dialogue in case of Bolivia In contrast, there is no incentive to comprehend and take into account the country's socio-political sphere – which would improve the sustainability of programs – as long as programs appear to run relatively smoothly. In addition, because donor representatives want their programs to have an impact, they tend to engage in the same clientelistic networks that they criticize among their government counterparts. Such networks might be necessary to ensure the efficient execution of their programs. Yet, they are in stark contradiction to donors' call to institutionalise career functionaries on the basis of merit–a call that is particularly emphasized in Bolivia.

Apart from their guiding principles and internal structure, donors' work has to be perceived in the light of the role they play within the recipient country's state-society relationship. Donors constitute important socio-political actors because of the economic and political impact that their aid money has on national political and economic processes. Because of that, donor functionaries are attractive to socialize and to cooperate with From a politico-sociological perspective, they constitute a specific group within a country's state-society relations. This fact is often neglected in the analysis of socio-political reform Too often, country politics and social movements are analysed without taking the donors' role and function into account. Yet, one feature distinguishes the donor community from any other social group. Donors do not only interact on the national level. They also form part of the international development community, which includes all practitioners in development worldwide as well as academics working on the subject, and of their civil service 'back home.'[9] In that respect, they are integrated and interacting within three different contexts – the national context, the international development context and their own civil service context – that determine their actions.[10] This is important to note when analysing donor activities on a country level. To give an example of the Bolivian case, the donor's role in supporting the Bolivian Poverty Reduction Strategy Paper (PRSP) was more likely a response to the international development community or to the requirements of

9 Rosalind Eyben (2003) "Donors as Political Actors", IDS Working Paper 183, Institute of Development Studies, April, Brighton 7-11.

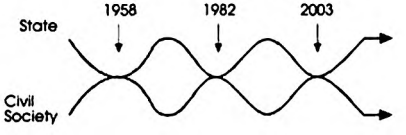
10 Rosalind Eyben (2003) "Donors as Political Actors", IDS Working Paper 183, Institute of Development Studies, April, Brighton

their civil service back home, rather than only a reaction to political processes in Bolivia As we will later see, this might lead to problems related to the national ownership of the PRSP and to deficiencies of its implementation and sustainability

Perceptions and the Use of Language in Cooperation

Apart form the neglected socio-political role that donors play, one other feature of development cooperation is consistently underestimated There is an apparent gap between cooperation 'rhetoric and reality,'[11] a fact of which both donors and recipients are nonetheless usually well aware, at least in theory[12] Nevertheless, this gap has distortive effects when results of the rhetoric are taken as reality and are included in subsequent cooperation programs. For example, perceptions and understandings on the two Bolivian National Dialogues largely differed between the donor community and the Bolivian governmental and non-governmental organizations Arguably, donors saw the Dialogues as a constructive engagement with civil society, whereas several government officials initially saw it as a means to secure debt relief[13] Donors today regard the PRSP – their main priority – as the essential outcome of the second Dialogue process, based on official statements of the government. However, informally government official claim that the PRSP was instead the work of technocrats, while the most important outcome of the second National Dialogue was much rather the Law of the National Dialogue, which institutionalizes continued interaction with civil society[14] As a result, this means that the donors expect the government to follow up on the PRSP, a process in which the government itself has much less interest than the donors

Graph: State - Civil Society Interaction



11 For analytic examples, see Peter J Schraeder (2002) *Exporting Democracy Rhetoric vs. Reality*, Boulder: Lynne Rienner

12 Interview with a donor representative, 6 August 2003, Frankfurt, Germany

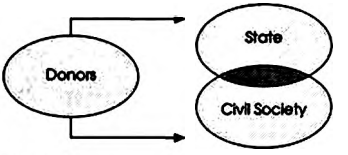
13 Interview with a Bolivian government functionary, 22 January 2004, La Paz

14 Interview with a Bolivian organiser of one of the National Dialogues, 3 February 2004, La Paz

Donors and Bolivian State – Civil Society Relations

A particular feature of the Bolivian context is that the sphere of interaction between the state and civil society is actually very small. This runs counter to common understandings of the role of civil society in current development debates. There, civil society is perceived as an integral part of the socio-political context, which acts as a check and balance to government policy formulation. In Bolivia, however, the intention of several civil society organizations is not to provide input for policy change, but rather to change the political system as a whole.[15] This fact makes the interaction between government and civil society particularly confrontational – not directed towards the kind of policy outcomes that donors are hoping for. The Bolivian sociologist Zavaleta Mercado has described the interaction between the Bolivian state and its society as a returning cycle.[16] In particular moments in Bolivian history, the state and civil society have confronted each other. Yet, this has not happened in an interactive and cooperative manner but rather abrupt and opposing. Apart from these encounters, both do not usually engage with each other in a constructive way.

Graph: Donor Relations with the State and Civil Society



Source: own design

In the case of Bolivia, donors cooperate with representatives of state organizations as well as with representatives of civil society groups. However, this is done in a bilateral fashion, where each donor agency has its government counterpart on one hand and its civil society counterpart on the other hand to cooperate with. This results in a distorted picture of the Bolivian state-society relationship: donors might know very much about how the state functions or how civil society is organised. However, they know very little

15 Interview with a Bolivian government functionary, 28 January 2004, La Paz.

16 Zavaleta Mercado has mainly referred to Bolivia in authoritarian times. However, this logic can arguably be extended until today. René Zavaleta Mercado (1988) "Consideraciones sobre la historia de Bolivia", in González Casanova (ed.), *América Latina, historia de medio siglo*. México: Siglo XXI

about how the state and civil society interact This lack of knowledge makes it impossible for donors to comprehend the social origin of Bolivian politics In such a situation, donors are not more than educated technocrats who work on specific projects without being able to situate them in the socio-political country context "Each donor has its poor" but the socio-political causes of poverty remain poorly understood.[17] As a result, donors are not able to induce the favored policy change that they consider necessary for Bolivian development

The Question of Ownership

As for the cooperation between donors and the government as well as with civil society organizations, there is pressure on the donor's counterparts to use donor concepts and language in order to receive funds or debt relief Although this might not be a problem when concepts happen to converge between the donors and the recipients, more often recipients employ 'donor language' without agreeing on the concepts This endangers the donors' current principle of fostering national or local ownership of a particular program To give an example, large amounts of aid money have been used for feasibility studies and the design of projects and programs in Bolivia within the last ten years, particularly with social service ministries such as the Ministry of Education The majority of these programs have never been implemented, either because of a lack of qualified staff or because of a lack of motivation within the government to follow them through.[18] This disappointing implementation turnout could have been avoided if donors had measured ownership not only by the mere declaration of intent of their government counterparts In sum, the ownership 'problematique' is directly related to the well-known gap between rhetoric and reality Although donors might be aware of the gap, they tend to think that once policies are formulated and"institutionalized', the government will feel obliged to follow them through The stalled poverty reduction process is another illuminating example Such hope is nourished by the many academic works on 'institutional design' as the basis of achieving political change Yet, a look at the socio-political roots of politics and polity makes one question whether institutional change is all that is needed to transform a

17 Concept and quote from an interview with a Bolivian organiser of one of the National Dialogues, 27 February 2004, La Paz

18 Interview with a Bolivian government functionary, 26 November 2003, La Paz

political system. In the Bolivian case, one can argue that informal rules and procedures are equally, if not more important.

Outlook: Increased Donor Reflexivity

In the light of the above arguments, it should be clear that donors cannot foster national ownership of a program such as the PRSP, that is simultaneously tied to policy conditionalities like poverty reduction and civil society participation. In such a case, the donors have to prioritize their principles and be frank about whether, say, ownership or poverty reduction comes first. If donors do have an interest to foster national ownership of cooperation programs, they will have to develop a better understanding of what issues matter in the socio-political context of the country. To do so, they have to become sensitive as to what is discussed within the interaction between the state and civil society. Such issues are much more difficult to generalize and probably not applicable to the world as a whole, as was done with poverty reduction. In Bolivia, issues to address could be the upcoming Asamblea Constituyente and the Referendum – two issues which are high on the political agenda of both government and civil society in Bolivia today.

The above illustrations do not aim at criticizing the donors for their 'naïve' setting of principles and use of language, nor the Bolivian government for their uncommitted stance towards many of its own policies. Much rather, this discussion paper wants to initiate a debate as to why the donors actions and principles or the government's reactions and use of language can be problematic and counterproductive for the achievement of aid effectiveness. In any sphere of political negotiation, principles are established and language is adapted in order to facilitate cooperation. However, it must not be forgotten that the relationship between the donor community and the recipient government is an unequal one, at least in terms of financial power. The language of partnership tends to blur this fact in an unhelpful way. Donors need to be more reflexive on this highly sensitive issue and formulate policy approaches accordingly. They can use socio-political analyses of the country context to identify desired reforms that are feasible.