Desk study on aid and democracy

Benin

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This study is part of a series of ten country-focused desk studies on aid and democracy prepared under the project The state and statebuilding in the Global South. They are prepared under the guidance of Rachel M. Gisselquist as background to a broader research effort on aid, governance, and democracy promotion. The studies follow a common template and each draws on the research literature and selected cross-national sources to discuss regime type and timeline, findings from the literature on democracy/democratization, findings from the literature on aid and democracy/democratization, aid flows and sources, and specific aid examples. This study addresses the case of Bolivia, with focus on the post-Cold War period.

Key words: foreign aid, democratization, Bolivia, statebuilding, development
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1 Regime type and timeline

Bolivia currently scores 0.35 in the liberal democracy index (Papada et al. 2023). The Regimes of the World typology (Lührmann et al. 2018) qualifies Bolivia as an ‘Electoral Democracy’ as of 2022, which implies that citizens have the right to participate in meaningful, free and fair, and multi-party elections. The country scores 0.6 (out of 1) on the electoral democracy index, which captures to which extent political leaders are elected under comprehensive voting rights in free and fair elections, and freedoms of association and expression are guaranteed. The table below summarizes how Bolivia performs on the major democracy and freedom indices:

<table>
<thead>
<tr>
<th>Country</th>
<th>Bolivia</th>
</tr>
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<tbody>
<tr>
<td>Liberal democracy index</td>
<td>0.35 (in 2022)</td>
</tr>
<tr>
<td>Electoral democracy index</td>
<td>0.6 (in 2022)</td>
</tr>
<tr>
<td>Regimes of the World typology</td>
<td>Electoral Democracy</td>
</tr>
<tr>
<td>Freedom House</td>
<td>Partly Free</td>
</tr>
</tbody>
</table>

Source: author’s compilation based on the indices listed in the first column.

The Varieties of Democracy’s (V-Dem) Episodes of Regime Transformation (ERT) dataset (Edgell et al. 2023) marks six main episodes in Bolivia’s history of democracy, as illustrated in Figure 1.

Figure 1: Episodes of regime transformation in Bolivia

Before examining each episode in greater detail, I provide a brief backdrop of the country context. Bolivia became independent from Spanish colonial rule in 1825 and immediately after became actively involved in regional conflicts. The country also experienced military coups and extended periods of authoritarianism for much of its political history, until the democratic civilian rule was established in 1982.
While the civilian rule continued, public grievances were exposed through major events such as the Cochabamba Water War and the Bolivian Gas Conflict, among others. In 2006, Evo Morales was voted into power and resigned in 2019 amidst allegations of electoral fraud and attempting to contest in elections beyond the mandated terms.

Against this brief background, the ERT dataset (see Figure 1) marks the following six episodes as turning points in Bolivia’s democratization process:

1930 to 1935 (V-Dem outcome: regressed autocracy)

The Chaco War, involving the countries of Bolivia and Paraguay, was fought between 1932 to 1935. Throughout the 1920s, both countries claimed ownership over the ‘Gran Chaco’ territory, which was believed to possess vast quantities of natural resources and allow direct access to the Atlantic through the Paraguay–Paraná river system (Kain 1935). The Chaco War was significant for employing tanks and planes and consisted of armies made up of Aymara and Quechua miners (Pendle 1967). Following four years of conflict, the precarious economic situations of both countries coupled with heavy casualties of the indigenous populations resulted in a peace conference in Buenos Aires in 1938, where Paraguay was awarded three quarters of the contested region (de Quesada 2011).

1952 to 1957 (V-Dem outcome: stabilized electoral autocracy)

The Bolivian Revolution of 1952 marked the turning point in the country’s modern history. The revolution led by the Movimiento Nacionalista Revolucionario (or National Revolutionary Movement—MNR) quintupled the size of the electorate, broke up the haciendas, distributed land to the highland peasantry, and nationalized mines and other "commanding heights" of the economy (Faguet 2018: 90). In doing so, it overturned the oligarchic political system and extended citizenship rights and educational access to over 60% of the population, which largely consisted of indigenous groups. The revolution’s leader, Víctor Paz Estenssoro, and his ally Hernán Siles Zuazo alternated in presidency until a military coup took place in 1964 (Faguet 2018).

1964 to 1965 (V-Dem outcome: regressed autocracy)

After 12 years of MNR rule, Bolivian Air Force General René Barrientos staged a coup against President Víctor Paz against the backdrop of worsening economic conditions. This period marked the beginning of ‘military rule’ and ‘coup’s in Bolivia, which lasted until 1982. Following the coup in 1964, the military monopolized political initiative and ‘sponsored a variety of formal regimes, but failed to convert any into an institutionalized system of rule... both governments and regime forms came and went with some rapidity’ (Malloy 1991: 41).

1982 to 1995 (V-Dem outcome: democratic transition)

As a result of the ‘political salida’ (or a political settlement) negotiated between the military, main political parties, and key associations such as the central labour confederation (COB), the confederation of private entrepreneurs (CEPB), and regionally bodies, Hernán Siles Zuazo became president in 1982. It marked a return to democracy. Taking over a weak government apparatus and a struggling economy, he launched five separate economic programmes (or paquetes economicos) to revive the economy, all of which failed to do so (Malloy 1991). As economic outcomes worsened, a coalition of MNR and leftist parties propelled Víctor Paz Estenssoro to power in 1985. He immediately launched ‘radical austerity programmes’ that stabilized hyperinflation and external debt (Malloy 1991). From 1989 to 1993, Jaime Paz Zamora from the left entered a power-sharing agreement with former dictator Hugo Banzer Suárez. Subsequently, in the 1993 general elections, Gonzalo Sánchez de Lozada from MNR rose to power and implemented large-scale economic liberalization efforts backed by the USA. His efforts to thwart coca production were also backed by the United States’ War on Drugs (BBC 2018).
In 2006, Evo Morales was elected as the first indigenous president of Bolivia in a historic win. He stayed in power for three terms until 2019, and his government was largely characterized as ‘radical left’ (Castañeda 2006). He promised ending the ‘colonial state and neoliberal model’. Following through on this promise, in the initial phases, the Movement for Socialism (MAS) government renegotiated contracts with multinationals for a more equitable share of profits, social spending rose, a new constitution with radical (even if incomplete) land reform and indigenous rights was instituted, and women’s rights improved. However, as time went on, missteps by the Morales government led to growing discontent. The government increasingly took steps to stay in power through accommodating elites, attempting to amend the constitution and disregard election rules, compromising on human rights, and debilitating social movements (Farthing 2019b).

Amidst widespread allegations of fraud in the 2019 elections, President Morales resigned after the commander of the armed forces asked for his resignation. Interim President Áñez continued to further undermine human rights by persecuting Morales’ supporters, shielding military personnel from accountability and failing to promote independent investigations (Human Rights Watch 2021). Luis Alberto Arce Catacora from MAS was elected president in 2020. He promised to ‘rebuild the country in unity’. However, his moves to arrest the former interim president and two of her former ministers have reinforced scepticism on Arce serving as a moderating force in Bolivia (Penaranda 2021).

Bolivia’s national revolution of 1952 marked a turning point in the country’s democratic history. Prior to this, less than 2 to 3% of Bolivia’s population had the right to vote. Following the revolution, a ‘homogenizing state model under which every citizen was to be treated equally was implemented’ (Schilling-Vacaflor 2011: 5). While popular discontent drove much of the revolution, roles played by specific sub-sections of the Bolivian population are particularly noteworthy. Referring to Rivera Cusicanqui (2003), Schilling-Vacaflor (2011: 6) notes: ‘Indigenous and campesino sectors of society were leading forces in the National Revolution of 1952 and unionized campesino organizations were strengthened (and partly created) by the MNR (Movimiento Nacional Revolucionario) regime afterwards’.

Following the revolution, military coups dominated Bolivian politics between 1964 and 1982. The country’s ‘transition’ to democratic government became possible again in 1978 following international and local pressures to hold elections and prompting the then military dictator Hugo Banzer Suárez to step down. The US was a key player in promoting this transition and strategically supporting candidates. Under General Celso Torrelio, who took over in 1981 as the de facto president, worker strikes became more frequent. By 1982, large-scale protests and general strikes took place calling for the military regime to step down. The military eventually accepted a civilian-engineered salida and agreed to turn over power to Hernán Siles Zuazo. Ending an extended period of military regimes, he was brought to power in 1982 in the context of a colossal economic crisis (Kim 2012).

From the turbulent transition in the 1980s, the country moved into a period of democratization, stabilization, and large-scale neoliberal economic reform in the 1990s. However, the after-effects of these reforms were evident in the series of political crises between 2002 to 2005. As Wolff (2012: 419) notes: ‘Massive social protests forced the resignation of both President Sánchez de Lozada in 2003 and his successor Carlos Mesa in 2005. In the course of these crises, Evo Morales, a union leader, coca grower, and the head of the Movement towards Socialism (MAS), established himself as the
leading representative of the diverse protest movements’. While MAS originated in rural, local social movements of self-government, it quickly achieved electoral clout by bringing together local organizations under its umbrella (Faguet 2012). At its forefront was Morales, who was elected to victory in 2006. His win in the elections heralded a series of political changes, including the convocation of a constituent assembly, adoption of a new constitution in 2009, attempts at ‘nationalization’ of crucial sectors such as hydrocarbons, and several social programmes.

It is important to note that Morales’ election marked a realignment of the party system around the ‘regional conflict’ narrative, rather than around ethnicity or social class. Cyr (2015) argues that the reason for this lies in Bolivia’s longer history of mobilization politics whereby elites utilized different strategies of exclusion and inclusion. The elites typically choose from a menu of strategic options (i.e., to integrate, defer, or disregard demands from below). In the case of Bolivia, they appropriated the regional autonomy demands as a final effort to remain politically relevant.

From the beginning, Morales’ approach to a ‘democratic revolution’ has posed a challenge to the western conception of democracy. Wolff (2012: 420) conveys this argument powerfully by arguing:

The new constitution includes the classical set of political and civil rights, and the new political system is dominated by mechanisms and institutions of representative democracy. However, this basic liberal-democratic order has been amended and modified in nontrivial ways: indigenous (customary) law has been established as a second judicial system of equal status alongside the ordinary legal system; indigenous collective rights now permit self-government in autonomous indigenous territories in accordance with indigenous customs and practices; indigenous minority groups in rural areas elect their delegates to the national parliament through special electoral districts; mechanisms of direct democracy such as recall, referendums, and popular legislative initiatives have been established; the highest branches of the judiciary are now to be elected by popular vote; and ‘organized civil society’ has gained vaguely defined but potentially far-reaching rights to participate in the design of public policy and to control public administration.

Owing to these changes, the constitution of Bolivia can be labelled as a ‘transformative constitution’ that attempts to alter the existing order (Schilling-Vacaflor 2011).

Wolff (2018), in a subsequent article, adds that these complex political transformations are hardly reflected in the established democracy indices which largely track institutional continuity. Using the case of Bolivia, they argue that democracy indices ignore the ‘nature’ of representation, party incorporation, and non-electoral participation.

These transformations became more complicated as Morales’ term continued. Ten years into MAS being in power, the country was characterized as a ‘democracy in transition’ (Varnoux Garay et al. 2016). President Morales and the MAS party claimed that the ‘full transformation of the Plurinational Bolivian state could only be realized if President Morales was permitted to stand for office in 2019, thereby likely extending his tenure until 2025’ (Driscoll 2017: 256). Less than a year following the third presidential win, Morales enacted a constitutional referendum to allow for continuous presidential re-election, which was rejected by the majority. Allegations of corruption and maladministration, compounded by governmental efforts to discredit and formally malign the free press further undermined the democratic consolidation process in Bolivia (Driscoll 2017). Morales did not accept defeat in light of the referendum results and failed to name a successor (Farthing 2019a).

In 2019, Morales and several top MAS officials resigned from their positions after the military ‘suggested’ they do so, following a disputed general election and large-scale violent protests. Opposition senator Jeanine Áñez took over as the interim president while Morales claimed to be a victim of a ‘civic coup backed by the US’ (Nugent 2019). He has now announced candidacy for the 2025 presidential elections, raising more questions for the future of Bolivia’s democratic consolidation.
2.2 Key actors

In addition to the domestic political actors, the following players have been key in influencing democratic processes within Bolivia.

- **USA:** The US has long been crucial in Bolivia’s internal politics and economic affairs. As Burron (2012: 116) notes: ‘U.S. […] democracy promotion programs were configured to support social forces hostile to the Movimiento al Socialismo (Movement toward Socialism or MAS) as well as NGOs and civil-society organizations that posed as moderate alternatives to it’. Furthermore, depending on who was in power, the US has adopted a combination of ‘soft’ and ‘hard’ tactics in Bolivia. In the early 2000s, the US sought to stabilize the Bolivian state through ‘soft’ tactics whose origins were rooted in the neoliberal project of the then-President Gonzalo Sánchez de Lozada. When left-leaning indigenous social forces gained prominence at the cost of American allies, ‘hard’ tactics including support for the right-wing departments of Western Bolivia were used (Burron 2012). In a broader sense, foreign aid, military assistance, and diplomatic relation all constitute a critical part of this US ‘foreign policy’ toolkit in Bolivia. Additionally, the US has special strategic interests in the ‘War on Drugs’ vis-à-vis the coca production in Bolivia and clearly prioritized counter-narcotics-related interests over the respect for self-determination in the past (Wolff 2012).

- **Regional actors:** Countries in the Latin American region play an important role in Bolivian politics. For instance, the Nitrate War of 1879, where Bolivia lost access to the sea to Chile, cemented Bolivia’s position as a landlocked country. Trade, export of gas, and access to the coast continue to be diplomatic pain points between the two countries (Gangopadhyay 2014). Another important actor to consider is Venezuela. The Morales-led government and its leftist ideology were often conflated with the nationalistic and market-unfriendly populism of Hugo Chávez. However, given Bolivia’s existing dependence on foreign partners and international markets, even the Morales-led government was relatively more accommodating to foreign partners, especially the US, compared to Venezuela (Cali 2007).

2.3 Gaps in empirics and literature

- Given that some of the complex transformations in the Bolivian case are not reflected in the traditional democratic indices, what other metrics can be included in the indices to better capture it?

- The case of Bolivia warrants further investigation on whether/how political ideology influences the movement towards democratic consolidation or sliding back. Are some ruling-government ideologies more likely to create an environment to encourage/thwart democratic consolidation?

3 Findings from the aid and democracy literature

Foreign aid in the Bolivian context can be understood as ‘pendular’ in nature. While aid has played a crucial role in the country’s political economy, it has not been a constant approach throughout. De la Cruz Prego (2022: 374) argues that Bolivia ‘went through two paradigmatic stages: first, the neoliberal stage, characterized by high-aid financial dependence and strong political conditionalities; and second, the post-neoliberal stage, where aid dependence and conditionality were substituted by commodity revenues exuberance’. He notes that the country’s fiscal position determined by the volatility of commodity export prices directly dictated how influential foreign aid could be. When prices were high, and the country’s fiscal position was strong, foreign aid had limited influence. Conversely, when prices were low and the fiscal position declined, foreign aid, especially conditional aid, became influential. This explains how donors—such as the United States Agency for International Development (USAID), the International Monetary Fund (IMF), the World Bank, and the Inter-American Development Bank (IDB)—
were able to impose stabilization programmes and structural reforms when Bolivia’s bargaining power was weak during times of financial stress. However, when Morales came to power, the fiscal stress was relaxed and a new developmental model (state-interventionism-led growth) that reaffirmed Bolivian sovereignty was established. Thus, the older donors such as IMF, World Bank, and USAID were phased out in favour of emerging donors such as China, Brazil, Venezuela, and the Development Bank of Latin America and the Caribbean (CAF) (De la Cruz Prego 2022).

In the time periods when donors were prominent in Bolivia, the all-too-familiar issues with top-down foreign aid were present. In the case of multilateral aid for instance, the IMF stabilization programmes in the 1950s and 60s were implementing closely with a US private consulting form and adopted the same approach across countries in the region (decrease public spending, devalue the currency, tighten credit, and liberalize trade) without paying attention to democratic, political, and economic differences amongst Latin American countries (Kofas 1995). Another persistent issue has been that of local ownership and participation. At the end of the 1990s, Bolivia had an admirable ‘track record’ for following the structural adjustment programmes of the international financial institutions (IFIs), even surpassing donor expectations. It was also one of the first countries to begin work on a Poverty Reduction Strategy Paper (or PRSP) in 1999 (Dijkstra 2011). While appearing ‘participatory’, the process suffered serious setbacks as locally important issues were not prioritized and political parties and the parliament were largely absent from the dialogue process.

In addition to the western multilateral donors, regional multilateral actors—such as CAF (Banco de Desarrollo de América Latina y el Caribe, formerly Corporación Andina de Fomento)—have also been very active and amongst the largest multilateral donors to Bolivia during the early 2000s.

In terms of bilateral aid, several donors are prominent, albeit each bilateral donor’s decision-making is driven by different considerations and strategic calculations. For instance, US aid to Bolivia is heavily influenced by ‘diplomatic approval, trade preferences, and financial and technical assistance, all heavily focused on cooperation with the US-driven “War on Drugs” and involving a high degree of direct political involvement in Bolivian domestic affairs’ (Wolff 2012: 422). Meanwhile, German aid is largely driven by development assistance goals. The channels through which bilateral donors funnel aid funding is also determined by these considerations. Case in point is USAID in 2008, which ‘did not even mention the Bolivian central government as a partner’ (Wolff 2012: 425) and instead chose to develop partnerships with entities such as regional and local governments and non-governmental organizations and the private sector. This decision by USAID was driven by the worsening diplomatic relations between the US and Bolivia at the time (Wolff 2012).

3.1 Gaps in empirics and literature

• In periods of ‘low’ aid dependence in Bolivia, how much influence external donors exactly had in the democracy outcomes is under-researched.

• While international financial institutions were pivotal in navigating (or even exacerbating) the economic conditions, the exact mechanisms through which these considerations played into the decision-making of the Bolivian elites would be another area to explore.

4 Aid flows and sources

4.1 Available data

Detailed data on development assistance to Bolivia are best captured by the OECD-CRS (Creditor Reporting System) dataset (OECD 2023). The CRS includes data on bilateral and multilateral aid (official development assistance [ODA]), aid from private sources, and some other resource flows to developing countries. The data are mainly reported by the 32 members of the OECD Development
Assistance Committee (DAC), some international organizations such as multilateral development banks and funds, and select non-DAC members (Atteridge et al. 2019).

4.2 Aid flows

In terms of total ODA flows (Figure 2), Bolivia has received close to US$18 billion between 1990 and 2021. The first big spike is observed in 2004, followed by a drop in funding volume. It picks up again and is followed by another major peak observed in 2020.

Figure 2: ODA funding volume to Bolivia

In terms of volume of funding by different donors (see Figure 3), the US was prominent until 2012. In 2013, Morales expelled USAID for allegedly conspiring with the opposition. The State Department reacted by ending its antidrug programmes in Bolivia due to a lack of cooperation. Post-2013, the country however received US support channelled through international organizations (Congressional Research Service 2022). Other prominent bilateral donors include Germany, Japan, and Spain. The Inter-American Development Bank (IDB), the Development Bank of Latin America and the Caribbean (CAF), and the International Development Association (IDA)/World Bank emerge as prominent multilateral donors.
If we zoom into democracy aid specifically (see Figure 4), interesting insights emerge. ‘Democratic participation and civil society’ is the most funded sub-sector, followed by ‘human rights’. Election-related projects are only funded sporadically, perhaps in line with the election cycle.

Germany emerges as one of the largest funders of ‘Democratic participation and civil society’. Donors such as Sweden, the US, and Denmark are also active funders in this space. The EU and the Netherlands lead the funding of election-related projects. Denmark leads the funding for human-rights projects and consistently provides between US$4 and 5 million each year. Other funders in human rights include Switzerland and the EU.
In terms of sectoral split (Figure 5), ‘debt forgiveness’ was a major component in the early 2000s (especially in 2002 and 2004). While ‘road transport’ seems to have been consistently prioritized in terms of funding, other priority sectors such as health, employment, and education only have sporadic funding. Public-sector policy had limited funding, but the sector seems to be largely disregarded post-2010. A large one-time grant in the social protection sphere was provided in 2020 (presumably as a consequence of the COVID-19 pandemic).

Figure 5: Top sectors receiving ODA funding in Bolivia over time

4.3 Gaps in empirics and literature

- There is limited information on how much aid Bolivia officially receives from non-DAC donors (including emerging donors and regional partners), within which sectors, and through what modalities. This is currently a major gap in the literature.

- How channels through which funding is disbursed change as a consequence of the party in power is an interesting question that warrants further research.

- Given American interests within the country, whether other donors follow USAID’s decision to suspend funding during diplomatic escalations remains unknown.
References


