

## *Social Capital in a Multi-Ethnic Society*

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## Social Capital in a Multi-Ethnic Society

### Introduction:

Bolivia's 1994 Popular Participation Law (LPP-*Ley de Participación Popular*<sup>1</sup>) ranks as one of Latin America's most ambitious recent reforms. By decentralizing a great deal of power to local governments, the LPP shifted much of the focus for day to day public goods issues from the national to the local arena. One of the law's most innovative segments extended legal recognition to territorially based, grassroots groups (OTBs - *Organizaciones Territoriales de Base*) and set forth guidelines under which these OTBs could form municipal oversight committees (CVs - *Comités de Vigilancia*) with real power in municipal decision making. Not surprisingly, performance of these oversight committees has varied widely across the country.

This paper begins an inquiry into the correlates of performance, focusing particularly on the nature and role of community organizations and demographic characteristics. The parallels between our project and Putnam's widely read analysis of new regional governments in Italy are obvious; however, the Bolivian case provides a crucial twist: the genesis of local institutions in a multi-ethnic environment. This added dimension allows us to explore more deeply the mechanisms through which "civicness" affects local government performance. We find that the density of local organizations alone does not strongly predict performance; instead, high organizational volume improves performance only when coupled with indigenous inclusion in local politics. The density of civic organization actually hurts performance in divided societies. We suggest that happiness is an *inclusive*, civic society.

To place this analysis in its proper context, we begin by discussing the major features of the Bolivian reform and the current debate over the role associations play in government performance. This paper then states the hypotheses to be tested and briefly discusses the data. The subsequent section examines our preliminary results and the final section, in lieu of a conclusion, outlines the questions that have arisen from the preliminary analysis and the research that remains to be done.

### **Popular Participation (LPP)**

The presidency of Gonzalo Sánchez de Lozada will be forever associated with major reform. During his tenure (1993-1997), Goni - as he is popularly known - reformed pension systems, presided over several privatizations, and reformed regional governments (*departamentos*) through an administrative decentralization law. Along with these reforms, he pushed for decentralization of power from the national to the local level. The *Ley de Participación Popular* is easily the most popular of his accomplishments and it is the reform most talked about beyond Bolivia's borders, both within and outside the region<sup>2</sup>.

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<sup>1</sup>Law for Popular Participation; approved April 20, 1994.

<sup>2</sup>See Rojas and Verdesoto 1997, p. 73.

The LPP divided the country into 308 municipalities, broadly coinciding with provincial sections (a designation that was largely meaningless previously). Before the law, municipal governments operated only in the most populous communities and had few real powers. The LPP not only created new municipalities; it invested them with new responsibilities and resources. Municipalities now exercise primary responsibility for the infrastructure related to health, education, sport, micro-irrigation and community roads. They also wield the power to tax: municipalities may levy and collect property taxes, vehicle taxes, and administer several types of licensing. In addition to these revenue sources, the LPP requires that the central government distribute 20% of central revenues to municipalities; transfers accrue to each municipality based on population.

One of the most innovative aspects of this unique law is its provision for community involvement. Municipal governments consist of three principal institutions: the popularly elected mayor<sup>3</sup>, the municipal council, and the municipal oversight committee made up from grassroots organizations (OTBs). The first two of these require little explanation; however, the third represents an original attempt to involve citizens in checking local governments on a day to day basis. In fact, the LPP begins by outlining the procedures for OTB formation and their purpose. The first lines of the law state:

The present law recognizes, promotes and consolidates the Popular Participation process of articulation for the indigenous communities, peasant communities and urban communities, in the legal, political and economic life of the country (Title 1, Chapter 1, Article 1, LPP)

The law goes on to offer legal recognition to indigenous groups, peasant communities and neighborhood associations as territorially organized, grassroots organizations. The law anticipates the organization of these groups that these groups according to their customs (not along new lines dictated by the central government)<sup>4</sup>.

Once formed, OTBs may construct a municipal oversight committee. The mechanisms through which OTBs form CVs are also left to each community's customs. Once formed, CVs have various responsibilities, including:

- (1) Oversee that municipal resources are invested equitably between urban and rural populations;
- (2) Be mindful that municipal governments do not spend more than 10% of Popular Participation funds on operating expenditures;
- (3) Oversee the budget for Popular Participation funds; and
- (4) Inspect the performance of the municipal government in its spending and investment and make the results of the inspection public, providing one copy of the results to the central government so

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<sup>3</sup>In fact, mayors are largely elected through an indirect mechanism. If no party wins a majority of municipal votes, the municipal council chooses the mayor from the top two vote-getting parties.

<sup>4</sup>Title 1, Article 2, LPP.

that it can determine the constitutionality of municipal actions (Article 10, LPP).

In addition, CVs may petition the central government to freeze transfers to municipal governments who are not in compliance with the LPP<sup>5</sup>. These powers translate into real influence over municipal affairs, giving community groups leverage in spending and investment decisions on a continuing basis - not just through the ballot box on election day.

Given the vague guidelines for the internal organization and operation of OTBs and CVs, and the substantial responsibility invested in them, it is not surprising that performance varies significantly across the country. This paper seeks the correlates of good performance in the characteristics of community organizations. The next section provides a theoretical background to guide the empirical inquiry.

### **Organizations in Government Performance**

Happiness is living in a civic community (Putnam 1993, 113).

Putnam's Making Democracy Work has revived a debate over the role of "civic-ness" in community life and government performance. This work is rich with contributions, but it has been most often associated with the conclusion that the density of civic organizations increases government performance. Cited only somewhat less frequently is the importance of horizontal structures in the civic organizations themselves:

Citizenship in the civic community entails equal rights and obligations for all. Such a community is bound together by horizontal relations of reciprocity and cooperation, not by vertical relations of authority and dependency. Citizens interact as equals, not as patrons and clients nor as governors and petitioners (Putnam 1993, 88).

As a consequence of revitalizing this debate, Putnam's book has engendered a good deal of criticism. Several critics have focused on Putnam's treatment of Italian history<sup>6</sup>. Others have questioned his statistical methods<sup>7</sup>. Still others have questioned the linkages between social capital and government performance and the importance of different types of associations.

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<sup>5</sup>This process is formally known as *denuncia* (meaning "denounce").

<sup>6</sup>Tarrow, Sidney "Making Social Science Work Across Space and Time: A Critical Reflection on Robert Putnam's Making Democracy Work" *American Political Science Review* June 1996, 90(2), 389-397. See also Sabetti, Filippo "Path Dependency and Civic Culture: Some Lessons from Italy About Interpreting Social Experiments" *Politics and Society* March 1996, 24(1), 19-44.

<sup>7</sup>Goldberg, Ellis "Thinking About How Democracy Works" *Politics and Society* March 1996, 24(1), 7-18.

Margaret Levi<sup>8</sup> explores the following:

Putnam claims that citizens who have a dense network of civic engagements not only trust each other but also produce good government, democratic government, and most important, good democratic government. The links are not at all clear, however (Levi 1996, 48).

Boix and Posner<sup>9</sup> point out:

A society full of associations dedicated to single, uncompromising imperatives which conflict with those of other associations may be a society full of social capital, but a social capital which, because of the nature of the groups in which it is created and of the polarized social context in which it will be employed, may be of very limited use in promoting community-wide cooperation (Boix and Posner 1996, 7).

Simply tallying the number of civic associations and dividing by population may not then provide an appropriate measure of social capital if the overlapping nature of organizational life and the connections between these overlapping networks and local governmental institutions provide the real key to predicting local performance. In fact, groups that organize and define their interests as counter to the state may harm government performance<sup>10</sup>. Putnam acknowledges this distinction briefly in his later work<sup>11</sup>, when he talks about “bridging” social capital:

To the extent that the norms, networks, and trust link substantial sectors of the community and span underlying cleavages - to the extent that the social capital is of the “bridging” sort - then enhanced cooperation is likely to serve broader interests and to be

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<sup>8</sup>Levi, Margaret “Social and Unsocial Capital: A Review Essay of Robert Putnam’s Making Democracy Work” *Politics and Society* March 1996, 24(1), 45-55.

<sup>9</sup>Boix, Charles and Daniel Posner “Making Social Capital Work: A Review of Robert Putnam’s Making Democracy Work: Civic Traditions in Modern Italy” *Harvard Working Paper* #96-4, June 1996.

<sup>10</sup>Russell Hardin argues convincingly that group organization along certain lines, particularly ethnic ones, can greatly hinder community development. See Hardin, Russell One For All: The Logic of Group Conflict Princeton: Princeton University Press, 1995.

<sup>11</sup>Putnam, Robert “Tuning In, Tuning Out: The Strange Disappearance of Social Capital in America” *Political Science and Politics*, December 1995, 28(4), 664-683.

widely welcomed (Putnam 1995, 665).

He goes on to cite the Michigan militia as an example of a non-bridging organization. This makes a clear distinction between groups that define themselves as inimical to the state and those that do not. What about organizations that see themselves as excluded from the state or merely separate from but not hostile to the state? The mechanism through which social capital is supposed to affect local government performance is through the creation of trust and accountability among citizens who hold power in the local government and among citizens subject to the local government's power. Interaction breeds information about trustworthiness and this fosters exchange. One can imagine, however, that social capital can be dense within parts of the community, but not linked to the greater community so that simple measures of the density of social capital will overestimate local government performance.

To illustrate, imagine a municipality split neatly in two. In each half, civic engagement is strong, but the networks in each remain wholly disjoint. Local government resides in one half of the community and is closely linked to the civic organizations of that half, but not to the civic organizations in the other. A measure of social capital that ignored this segregation would overstate the community's civiness. In the worst case, the half of the community not involved in local government may feel antagonistic to it; if this half defines its interests counter to the municipal government, it may see local government as a zero sum game in which it always loses.

The example sketched above may approximate the special challenges that arise when analyzing the role civic organizations play in local government performance in multi-ethnic societies. The alienation of indigenous groups from local government processes may drive a wedge between this extensive source of social networks and the working of the formal government. In the worst case, indigenous groups may define their interests counter to the local government prevailing, in which case their store of social capital can be used to thwart local government performance. Hardin talks about this type of eventuality when he notes:

Successful collective action can sometimes be a wonderful achievement. But it can also be a dreadful one, the source of great harm, even to those who succeed in the collective action. In the widespread mobilization of the imagined communities of the ethnic groups of our time, the harms seem grotesquely to outweigh any plausible benefits. Despite the occasional good that it may do, group-solipsist ethnic assertion is one of the great disasters of modern civilization (Hardin 1995, 214).

Indigenous groups also may not link themselves to formal local governing institutions if those institutions are not open to them. Jonathon Fox provides an excellent description of the role played by the Mexican government in shaping the relations between indigenous groups and other social actors in and its effects on stocks of social capital<sup>12</sup>. Although the LPP encouraged

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<sup>12</sup>Fox, Jonathon, "How Does Civil Society Thicken? The Political Construction of Social Capital in Rural Mexico" *World Development* 24(6): 1089-1103, 1996.

indigenous participation, the memory of previous attempts at exclusion made many indigenous groups wary of the new arrangement, a subject to which we will return.

Our main question is whether indigenous inclusion acts as a link between a community's stock of social capital and the ability of its local government institutions to fulfill their legal tasks.

A secondary question that deserves careful attention is whether and how the structure of a community's organizations affects performance. Even though the organizations considered here cannot, by definition, overlap in the same way the choral societies and sports clubs Putnam analyzes do, the hypothesis that more horizontally structured organizations improve performance may still be tested.

### **Hypotheses and Data**

Having foreshadowed this project's hypotheses, it is time to set out the exact questions to be tested in the remainder of this paper:

- (1) Does the density of associations increase the performance of municipal oversight committees?
- (2) Does indigenous inclusion in formal municipal politics affect performance?
- (3) Does the concentration of more horizontal organizations affect performance (specifically: do more horizontally structured groups improve performance)?

Theory provides some guidance in predicting the outcomes of these tests.

#### ***Density of Associations***

While Putnam's work shows that the density of civic associations improves government performance, the associations examined here differ significantly in nature from the choral societies he examines. OTBs are, by their nature, territorial and therefore not cross-cutting. The greater the density of OTBs, the greater the number of groups seeking separate vehicles through which to represent their interests. As a result, the density of OTBs may pick up two distinct features of civic involvement: the level of involvement (which should positively affect performance) and the fragmentation of society into different groups (which may negatively affect performance). It is, therefore, difficult to predict how this measure will correlate with performance *ex ante*.

A negative correlation between the density of OTBs and performance may also arise from the way that OTBs translate into municipal oversight committees. The LPP leaves open the form through which OTBs determine CV composition. The greater the number of groups to be organized and incorporated into the oversight committees, the more difficult it may be for oversight committees to accomplish their tasks. Inter-group bickering may lead to paralysis and ineffective oversight.

#### ***Indigenous Participation***

While some Indians define their interests as counter to the state, indigenous organizations have

mainly worked within the state for change in contemporary Bolivia. In the period following the introduction of the LPP, however, many indigenous organizations viewed plans for decentralization and reorganization of community groups along territorial lines as a threat to their already existing indigenous organizations<sup>13</sup>. As a result, few petitioned for formal recognition under the law or participated in municipal politics.

The LPP opens many possibilities for indigenous inclusion in municipal government: indigenous candidates may run on party labels for elected positions on the municipal council or as mayor<sup>14</sup>; indigenous groups may apply for OTB status and take part in the municipal oversight committee; parties with either indigenous or non-indigenous candidates may champion issues that affect indigenous communities and indigenous people can affect local government through voting.

Attempts to form an official indigenous organization under the LPP signal a willingness to work with the local government and to accept its formal processes for making community decisions. By harnessing the social capital already existing within indigenous organizations to local government, the presence of official, indigenous OTBs should increase performance.

The presence of Indians in places of authority may provide a link between formal indigenous organizations (of which the indigenous councilor or mayor may still be a part) and the formal municipal government. Indigenous inclusion in formal positions of power may also lead to improved local governance. When indigenous OTBs officially participate in local government, institutional bridges are formed between sources of social capital in indigenous areas and the local government; when individuals within government form the linkages, those links are somewhat less solid. Indigenous communities may associate with particular members of the municipal government, without feeling fully integrated into local politics.

The effect of vote shares for indigenous candidates is more ambiguous. While higher voting for indigenous candidates shows the involvement of many indigenous individuals in formal decision making, it does not represent a formal linkage between the indigenous community as a whole with the local government. All three of these measures of indigenous inclusion will be examined in the analysis, below. We predict that official inclusion as an OTB will have the strongest impact on oversight performance, self-identification of municipal councilors as either peasant or indigenous will have a weaker influence and voting for indigenous parties will have the weakest impact, for the reasons stated in the preceding paragraphs.

### ***Types of Associations***

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<sup>13</sup>See Molina and Arias 1996, especially near p. 29. In fact, in the weeks following LPP's passage, the national peasant federation of Bolivia (CSUTCB - *Confederación Sindical Unica de Trabajadores Campesinos de Bolivia*) called for a national boycott, urging peasant and indigenous communities not to seek legal recognition as OTBs under the law.

<sup>14</sup>Indigenous candidates often run on traditional party labels and the wide support for indigenous parties provides even greater opportunities for office-holding.



Three types of organizations were specified in the LPP: peasant organizations, neighborhood associations and indigenous organizations. In general, the number of indigenous organizations per municipality is low, suggesting that indigenous groups - when they seek representation - seek it as unified communities. Peasant organizations and neighborhood associations exist in far greater numbers.

**Table 1: Number of Associations of Each Type, Across Municipalities**

NAME	# OF OBS.	MEAN	STD. DEV.	MINIMUM	MAXIMUM
Neighborhood	130	5.82	12.79	0	111
Peasant	130	33.41	31.01	0	167
Indigenous	130	0.05	12.79	0	2

While a gross generalization, peasant organizations tend to form around unions that trace their origins to the 1950s land reform. These organizations have traditionally been extremely hierarchical in structure, approximating the more vertical end of the horizontal-vertical continuum of organization type. Neighborhood organizations more frequently trace their roots to self-help organizations in urban settings; many have only recently been created<sup>15</sup>. Controlling for the percentage of the population in each municipality that lives in rural areas (since peasant organizations are more prevalent in rural than urban areas), the proportion of non-indigenous OTBs that are peasant organizations should relate negatively to performance if vertical/horizontal structure affects the link between social capital and government performance.

## The Data

This analysis was facilitated by a survey that canvassed 138 municipalities, asking basic questions about oversight committee performance<sup>16</sup>. Our analysis focuses on whether or not the CV participated in several activities spelled out as its mandate. Specifically: has the CV been involved in discussions regarding:

- (1) Health and Basic Sanitation?
- (2) Municipal Finances?
- (3) Environment and Production?
- (4) Participation of Women?

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<sup>15</sup>Margaret Pierce notes: "...many rural communities already have their own forms of traditional local governance which can easily be recognized by the central government. Urban dwellers, on the other hand, have little incentive to organize on the local level" (Pierce 1997, 7).

<sup>16</sup>This survey was designed and carried out by the National Commission for Popular Participation (*Secretaria Nacional de Participación Popular*), 1997.

- (5) Formulation of the Annual Operating Plan (PAO)<sup>17</sup>?
- (6) Formulation of the Municipal Development Plan (PDM)<sup>18</sup>?
- (7) Public Investment?
- (8) Resources Transferred by the LPP to Municipal Governments?
- (9) Denunciations<sup>19</sup>?

In contrast to Putnam's work, we do not measure the effectiveness of involvement; instead, we measure only whether or not the CV participated in certain tasks. Also different is the way in which these measures of involvement will be analyzed. Putnam creates indices, summing over several measures of effectiveness; instead, we will look at how each measure relates to the explanatory factors hypothesized to have an effect. This approach allows different factors to influence each measure of performance; for example, level of schooling may be important in determining whether or not CVs take part in drawing up complex financial plans, but it may not figure significantly in whether or not they participate in discussions of health and basic sanitation. We will also look at the factors that help explain why CVs in some communities involve themselves in many tasks while CVs in others involve themselves in few or none.

### **Analysis**

The statistical analysis proceeds in four steps, beginning with simple correlation. Because correlation provides a snapshot of the relationships between key variables, it offers a preview of the relationships that may be teased out of more complex interactions analyzed later. Where relationships can be examined through cross-tabulation (i.e.: where the independent variable is dichotomous), this approach will be used to highlight bivariate relationships. A third method is the use of simple regression techniques. Since the oversight committee tasks are catalogued as either "yes" or "no," we use logistic regression. Finally, we sum over the tasks in which committees have become involved in order to see if the same factors that predict involvement in individual activities also predict involvement in several activities.

### ***Correlation***

A full matrix of correlation can be found in Appendix 1. Here we will summarize a few general findings worth highlighting.

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<sup>17</sup> The PAO is a detailed budget for each fiscal year, specifying sources of funding and spending items on a project-by-project basis.

<sup>18</sup> The PDM prioritizes problems and outlines the types of projects to be undertaken in the medium term. It is less detailed and longer-term than the PAO.

<sup>19</sup> The LPP allows oversight committees to "denounce" mismanagement by the municipal government. This involves petitioning the central government to investigate municipal management and may lead to the freezing of transferred resources to the municipal government until the problem is solved.

- (1) The density of OTBs is almost always negatively correlated with oversight committee task performance.
- (2) The type of organization seems to matter: where neighborhood committees form a high percentage of a community's OTBs (relative to peasant organizations), oversight committee task performance is greater.
- (3) The inclusion of an indigenous organization within the number of OTBs in a community increased oversight committee performance. The self-identification of municipal councilors as "indigenous" or "peasant" seems not to be consistently related to performance. The percentage of municipal votes for indigenous parties appears to decrease performance.
- (4) ***The interaction between indigenous inclusion (as an OTB) and the density of OTBs has a positive effect, as does the interaction between indigenous inclusion and the vote for indigenous parties.***

Contrary to Putnam's results, the organizational density does not increase task performance in this sample. To the extent that some OTBs are more horizontally structured than others are, the greater concentration of horizontally structured OTBs appears to improve task performance. Some direct measures of indigenous inclusion seem positively related to oversight committee performance, while others appear negatively related. Most interestingly, the inclusion of indigenous OTBs appears to act as a link between the density of OTBs and performance: a high concentration of OTBs alone appears to hurt performance, but where they include an indigenous OTB among their number, the higher concentration does improve CV participation in individual tasks.

This suggests that, where organizational life is dense, performance may not be high; however, where organizational life is dense *and* the society does not suffer deep ethnic division, local performance is more likely to be high.

### ***Cross-Tabulation***

Several relationships are amenable to cross-tabulation. This process merely splits the sample into those observations where a particular task was accomplished and those in which it was not. These halves are then subdivided into those that do and do not have a second characteristic for which the test is being run. For example, one may tabulate the relationship between CV involvement in basic health and sanitation and whether or not there exists an indigenous OTB in the municipality. Cross-tabulation produces four entries: the number of communities with both CV involvement and an indigenous OTB, the number of communities with CV involvement and no indigenous OTB, the number of communities with no CV involvement and an indigenous OTB and the number of communities with neither CV involvement nor an indigenous OTB. Three explanatory factors lend themselves to this type of analysis: existence of an indigenous OTB, existence of self-reported indigenous or peasant municipal councilors, and whether or not a majority of OTBs in the community is comprised by neighborhood associations (compared to peasant organizations).

The cross-tabulations below indicate the percentage of oversight committees that do and do

not perform each tasks, split into those communities with and those without indigenous OTBs. For example, the first cross-tabulation entry indicates that 39% of those communities without indigenous OTBs were actively working on issues of health and basic sanitation while in those communities with indigenous OTBs, 75% addressed these issues<sup>20</sup>. These numbers should be read with caution, since the overall number of municipalities with indigenous OTBs is very small relative to the number without. Consequently, results are sensitive to small changes in the case of communities with indigenous OTBs.

**Table 2: Presence of an Indigenous OTB and CV Involvement in Different Tasks**

Indig. OTB	Health/Sanit'n	Munic'l Finance	Prod'n/Envir't	Female Partic'n	PAO	PDM	Public Invest	Transfer	Denun
NO	<b>39%</b>	<b>28%</b>	<b>30%</b>	20%	53%	24%	<b>33%</b>	<b>42%</b>	22%
YES	<b>75%</b>	<b>40%</b>	<b>0%</b>	25%	60%	20%	<b>0%</b>	<b>20%</b>	20%

The same technique can be used to show how the presence of municipal councilors who self-identify as either indigenous or peasant affects the behavior of oversight committees.

**Table 3: Presence of Self-Identified Indig. Or Peasant Councilors & CV Involvement**

Council Member	Health/Sanit'n	Munic'l Finance	Prod'n/Envir't	Female Partic'n	PAO	PDM	Public Invest	Transfer	Denun
NO	38%	30%	30%	20%	<b>45%</b>	23%	34%	43%	<b>31%</b>
YES	42%	27%	27%	21%	<b>61%</b>	24%	28%	49%	<b>14%</b>

These tables suggest that indigenous inclusion does not make oversight committees more active across the board, but inclusion appears to affect certain activities. Beginning with Table 2, oversight committees in communities with indigenous OTBs seem more likely to become involved in health and basic sanitation and in municipal finance but less likely to focus on environment and production. They are equally likely to encourage women's participation as those without indigenous OTBs. They are slightly more likely to take part in drawing up Annual Operating Plans (PAO) but slightly less likely to participate in Municipal Development Plans (PDM); they are much less likely to oversee public investment, the division of transferred funds and procedures to denounce the municipal council.

A separate measure of indigenous inclusion – the self-identification of councilors as peasants or indigenous – seems to corroborate some findings, but not all. Notably, this measure discriminates fewer differences between municipalities with and without self-identified peasant or indigenous councilors than the OTB measure of indigenous inclusion. Still, participation is slightly higher in most categories where council members self-identify. This is most notable in the categories: PAO and denuncias.

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<sup>18</sup>Note that this table compresses the information from the cross-table into two entries instead of four. The missing entries can be extrapolated easily from the table. If 39% of the municipalities with no indigenous OTB involved themselves in health and basic sanitation, then 61% did not; similarly, if 75% of municipalities with an indigenous OTB involved themselves in health and basic sanitation, then 25% did not.

Finally, it is possible to divide municipalities into those with a higher percentage of neighborhood associations and those with a higher percentage of OTBs formed as peasant organizations. If horizontal structure matters, the former should display higher rates of involvement than the latter. Table 4 presents the cross-tabulations relevant to this discussion.

**Table 4: Type of Organization and CV Involvement**  
*(The first column denotes whether neighborhood organizations are a majority of OTBs)*

Nbrhood Assoc'n	Health/Sanit'n	Munic'l Finance	Prod'n/Envir't	Female Partic'n	PAO	PDM	Public Invest	Transfer	Denun
NO	<b>35%</b>	<b>23%</b>	<b>25%</b>	<b>17%</b>	53%	23%	32%	41%	18%
YES	<b>80%</b>	<b>60%</b>	<b>40%</b>	<b>30%</b>	50%	20%	20%	44%	10%

In several cases, the differences appear significant – particularly the first four columns. It is difficult to determine, however, if this can be attributed to horizontal structure or to the urban bias of this measure. Since neighborhood associations tend to be urban, it may be that their physical situation in the municipality's urban center facilitates the monitoring of the first three items. It is instructive that the type of organization does not seem to affect CV involvement in drafting either the PAO or PDM, nor in determining public investment or monitoring fiscal transfers. These latter four categories, being more general and future-oriented, do not appear as tied to the urban centers as the first three items. Turning to multiple regression may help us to tease out the different effects of horizontal structure and rural/urban differences.

### **Logistic Regression**

Logistic regression allows us to isolate the separate impact of each factor on the actions of oversight committees. The factors of most interest in this study are the density of OTBs, the link between indigenous inclusion and performance, and the concentration of different types of OTBs. Variables were added to control for other factors thought to influence performance, such as: percentage of the population living in rural areas<sup>21</sup>, an index of the basic needs not satisfied of the population (an approximation for wealth/poverty)<sup>22</sup>, and education level (percentage of the population with some high school education)<sup>23</sup>.

Results from two regressions will be shown and discussed to illustrate basic trends in the

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<sup>21</sup> This is particularly important when including the variable measuring the percentage of OTBs registered as peasant communities because the reason more peasant communities may be registered may have more to do with the rural-ness of the community than the pervasiveness of hierarchical organization styles.

<sup>22</sup> Communities with fewer resources may have less ability to sustain a vigilant oversight committee.

<sup>23</sup> Where a large portion of the population is uneducated, there may be less understanding among the communities of the tasks assigned to the CV and therefore less pressure from below to keep the CV focused on its tasks.

analysis. Choosing from the list of oversight committee activities covered by the survey, we have chosen to focus on (1) municipal finance (item two on the list above) and (2) PAO creation.

Overall, the results from these regressions are weak. This probably reflects the small number of communities with indigenous OTBs or indigenous/peasant council members. While the sample is fairly large relative to the population of Bolivian municipalities, only a small number of communities can claim an indigenous OTB or indigenous councilors. The scarcity of the key attributes we test weakens the model's ability to distinguish the most important determinants of CV involvement.

### *Municipal Finance*

To analyze CV involvement in municipal finance, we conducted logistic regressions including various measures of indigenous inclusion, type of organization and demographic controls as independent variables. Testing the hypothesis that the type of organizations (holding the demographic base constant) prevalent in a community affects CV involvement in this area led to disappointing results. A higher ratio of peasant organizations to total OTBs negatively affected CV involvement, but the coefficient exhibited extremely low significance.

The density of OTBs displayed a negative relationship to involvement in municipal finance, suggesting that this measure more closely captures civic fragmentation than social capital. If the number of OTBs per thousand population increased from 4 to 5, the probability that a municipal oversight committee participated in municipal finance declined two percentage points (from 25.5% to 23.5%, holding all other variables constant at their means).

Indigenous representation as an OTB appeared positively related to involvement in municipal finance, but with extremely low significance. More strikingly, the interaction between OTB density and indigenous presence as an OTB related positively to CV involvement, suggesting that indigenous inclusion may help link social capital to local government's performance. An oversight committee in the average municipality with an indigenous OTB would be four percentage points more likely to participate in municipal finance than one with no indigenous OTB. This comparative static demonstrates that the positive effect of the interaction term overwhelms the negative effect of the inclusion of an indigenous OTB on its own. Not only is indigenous inclusion necessary for performance, but dense civil society is also required. The presence of *both* factors is crucial to improve performance. Other measures of indigenous inclusion provided less impressive results, leading to the exclusion of these measures in the results reported in Table 5<sup>24</sup>.

The most reliable predictor of CV involvement in municipal finance was a measure of the basic needs unsatisfied within the community (NBI) – a proxy for the community's resource base. Clearly, a scarcity of resources hinders CVs from carrying out their tasks.

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<sup>24</sup> The inclusion of self-reported indigenous or peasant councilors had a positive effect on involvement in municipal finance, but with low significance. The percentage of the vote received by indigenous parties negatively affected involvement and was also insignificant.

**Table 5<sup>25</sup>: Results of Logistical Regression Using CV Involvement in Muni Finance**

Variable Name	Coefficient	Standard Error	P >  z	95% Confidence	Interval
OTB per capita	-0.12	0.098	0.235	-0.309	0.076
Indigenous OTB (dichotomous)	-1.59	1.833	0.387	-5.180	2.005
Interaction	0.49	0.383	0.197	-0.257	1.246
NBI	-4.60	1.951	0.018	-8.423	-0.775
Constant	3.40	1.599	0.033	0.267	6.535

### *Annual Operating Plan*

Logistical regression of CV participation in PAO creation revealed results that differed significantly from those presented above. Performing the same regression reported in Table 5 indicated that NBI mattered little in predicting PAO involvement. OTB density and the existence of an indigenous OTB were again negatively correlated with performance, but the results were insignificant; the interaction was positive but also weak. If the same factors do not explain CV involvement in these two activities, what does?

Using a different measure of indigenous involvement provides a better prediction of CV participation in this case. Also, the level of schooling in the community appears to play a greater role than in the previous example. Whereas the availability of physical resources (NBI) affected CV involvement in municipal finance, the availability of human capital (education) plays a greater role in whether or not oversight committees participate in drafting the somewhat technical PAO.

The results of the logistical regression are presented below.

**Table 6: Results of Logistical Regression Using CV Involvement in PAO Planning**

Variable Name	Coefficient	Standard Error	P >  z	95% Confidence	Interval
Indigenous OTB (dichotomous)	2.274	2.716	0.403	-3.050	7.597
% Vote Indig.	-0.743	0.032	0.019	-0.136	-0.012
Interaction	-0.816	1.109	0.462	-2.989	1.357
Education	1.182	1.510	0.434	-1.778	4.143
Councilors	0.677	0.372	0.069	-0.052	1.405
Constant	0.019	0.431	0.964	-0.824	0.863

They indicate that indigenous inclusion through a formal OTB increases oversight committee participation in the PAO process, but not with a high level of significance. The impact of this fact, however, is powerful: an oversight committee in the average municipality with no indigenous OTB will participate with a probability of 8.4%; in the average municipality with an indigenous OTB, this probability jumps to 53%!

Vote shares of indigenous parties appear to negatively correlate with involvement. An

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<sup>25</sup> Logit coefficients do not lend themselves to simple interpretation so more intuitive results are inserted into the text linking changes in each variable to changes in the probability of CV involvement in the relevant activity.

increase in the vote for indigenous parties from 6% to 7% leads to a 2.5 percentage point decrease in the probability that an oversight committee engages in PAO planning. Surprisingly, the interaction between this factor and the existence of an indigenous OB appears weakly negative. This signals that voting for indigenous parties even in communities amenable to working within the formal local government system may be a sign of protest by individuals within those communities.

Where members of the municipal council self-identified as either indigenous or peasant, participation in PAO planning was much higher. Where typically excluded groups have reached positions of power, oversight committees are more likely to take part in crucial financial planning. The existence of self-identified indigenous or peasant councilors in the average municipality increases the probability of oversight committee involvement in PAO planning by seven percentage points.

### ***Multiple Tasks***

We now turn to analyze the predictors of oversight committee involvement in multiple tasks. In the eight<sup>26</sup> areas covered by the survey, some municipalities claimed involvement in all tasks, while others involved themselves in none. Summing the eight areas creates a count of tasks performed. Do the factors upon which we have focused help to explain the variation in the number of tasks taken on by oversight committees? Table 7 provides the results of a negative binomial regression of the count data using the independent variables with which we are already familiar.

***Table 7: Negative Binomial Regression Results for the # of Tasks Performed by CVs***

Variable Name	Coefficient	Standard Error	P >  z	95% Confidence	Interval
OTB per capita	-0.049	0.027	-1.818	-0.101	0.004
Indigenous OTB (dichotomous)	-0.818	0.653	-1.253	-2.098	0.461
Interaction	0.090	0.057	1.582	-0.022	0.202
NBI	-0.937	0.662	-1.415	-2.235	0.361
Indig. Vote	-0.028	0.013	-2.154	-0.053	-0.002
Constant	2.093	0.553	3.786	1.009	3.176

Not surprisingly, a pattern similar to our previous results emerges: indigenous inclusion and the number of grassroots organizations per thousand population both depress the number of tasks taken on by oversight committees. The interaction of the two, however, increases involvement. This underlines our earlier conclusion that merely increasing the number of community organizations may not improve involvement. In this case, each additional organization decreases the number of issue areas in which oversight committees take part. These results also support the findings presented in Table 5: that indigenous inclusion through formal OTB alone does not increase CV involvement in multiple tasks. In a community with a small number of OTBs,

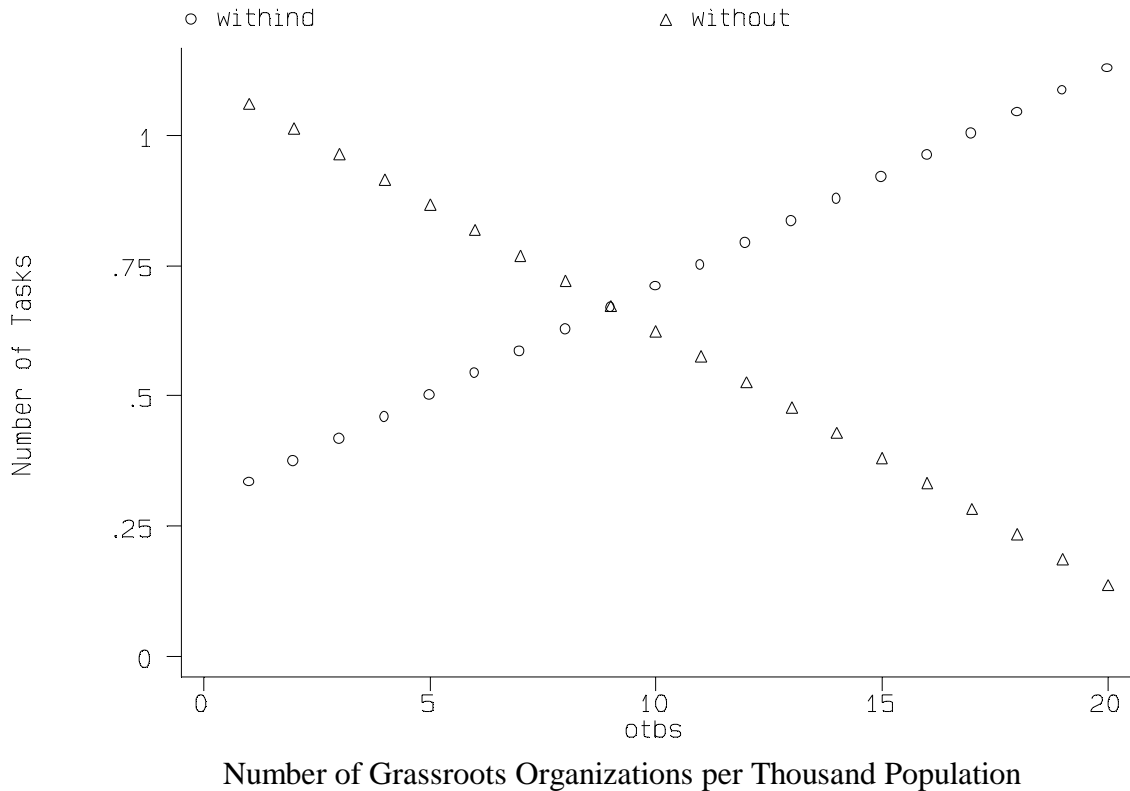
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<sup>24</sup>You may recall that the survey asked about involvement in nine activities. The ninth activity – denouncement of fiscal wrongdoing by the oversight committee – differs from the others in that it is discretionary; we do not include it in this analysis.



indigenous inclusion appears to hurt CV involvement. It is only when OTBs are both dense and include indigenous groups that CV involvement improves. A graphic illustration of this complex relationship between the density of OTBs, indigenous inclusion and oversight committee involvement will simplify the explanation:

**Graph 1: Predicted Effects of OTB density, with and without an indigenous OTB**



The series of circles in Graph 1 trace out the relationship between the number of OTBs per thousand population and the number of tasks in which the model predicts CV involvement when the community includes an indigenous OTB. The triangles represent the same relationship for a community with no indigenous OTB. With no indigenous OTB in the community, each additional OTB decreases oversight committee activity; only in inclusive communities does the density of OTBs exhibit a positive relationship with oversight committee involvement.

While reinforcing our earlier conclusions, these results also boast respectable levels of statistical significance, bolstering our confidence in the underlying theory. Neither exclusive but tight networks of social capital nor inclusive but shallow networks of social capital provide the necessary foundation for effective oversight. Rather, both inclusion and deep networks must coincide to provide that foundation. Unfortunately, in the Bolivian case, less than 4% of the municipalities surveyed had ten or more OTBs per thousand population – the crucial number at which indigenous inclusion begins to improve CV performance above its predicted level without indigenous OTB involvement.

## **Questions for the Future**

Based merely on these few regression results, it is clear that different factors affect the participation of CVs in each of its activities. Overall, however, it appears that indigenous inclusion through OTB organization and through representation in elected office improves the ability of oversight committees to perform the tasks set out for them. For those seeking to draw policy conclusions from these results, it appears clear that encouraging indigenous inclusion through incorporating their already existing organizational structures into the formal mechanisms of local government should be a priority. However, to truly understand the dynamics between indigenous inclusion and oversight committee performance, we believe further research is crucial.

Our preliminary results point in the hypothesized direction, suggesting that a singular focus on building social capital will not achieve the expected improvement of local performance without a concerted effort to bring indigenous groups into the formal arena of local governance. More importantly, the analysis raises larger questions about measuring social capital, indigenous inclusion and the linkages between them. In order truly to get at the questions we raised at the outset, closer attention must be paid to measurement of these independent variables.

Preliminary fieldwork and exposure to thorough case studies suggests nuances in our key variables not captured in the data used thus far. Deeper investigation at the community level must be conducted in order to calibrate the measures to the theoretical questions we have posed. A few examples will help illustrate how the aggregate data used in the above statistical exercises does not distinguish between important variations in organizational forms.

In Cochabamba, peasant unions registered as peasant communities to gain OTB status for their already powerful organizations. In one community in Northern Potosí – Sacaca – indigenous communities, peasant unions and newly formed OTBs exists side by side, with distinct functions. OTBs in Sacaca do not trace their roots directly to previously existing organizations, but have grown up as complements to the already existing institutions there. In this case - and in many others, we suspect – local leaders from traditional communities do not perceive the new system as a viable means to reach their objectives; they have well-practiced methods for achieving their goals and continue to pursue them instead of adopting new identities and strategies. In both of these cases, Sacaca and Cochabamba, the number of OTBs per capita can be easily computed, but the meaning of those figures as a measure of organizational activity and the connection between civil society and local government is clearly not the same. One harnesses existing networks to new governing institutions while the other bypasses these rich sources of social capital.

These examples illustrate the richness and variety of linkages between organizational life and new local governments that have emerged in the LPP's first year. In order truly to answer the questions that have motivated this research project, the next step must be a series of case studies to allow for a greater exploration of this richness in civil society-municipal government linkages. The direction in which this analysis leads us is unmistakable: dense networks of civil society alone do not improve local government performance in Bolivia. Inclusiveness seems to be the factor necessary to link social capital to high levels of local institutional performance.

APPENDIX 1: Matrix of Correlation Coefficients

Variable	ACT 1	ACT 2	ACT 3	ACT 4	ACT 5	ACT 6	ACT 7
ACT 1	1.00						
ACT 2	0.68	1.00					
ACT 3	0.71	0.71	1.00				
ACT 4	0.48	0.61	0.62	1.00			
ACT 5	0.18	0.14	0.08	-0.03	1.00		
ACT 6	0.18	0.12	0.04	0.04	0.36	1.00	
ACT 7	-0.05	0.00	-0.02	0.09	0.28	0.43	1.00
ACT 8	0.07	0.12	0.09	0.08	0.46	0.13	0.44
ACT 9	0.24	0.23	0.24	0.31	0.31	0.17	0.27
Nbi	-0.26	-0.30	-0.17	-0.10	-0.07	-0.07	0.02
Prural	-0.18	-0.24	-0.11	0.01	-0.02	-0.06	-0.03
Indig	0.11	0.10	-0.10	0.07	0.11	0.04	-0.12
Council1	0.02	-0.04	-0.06	-0.02	0.11	0.02	-0.04
Indvot	-0.22	-0.17	-0.06	-0.07	-0.30	-0.03	0.00
Eje	-0.19	-0.17	-0.06	-0.08	-0.19	0.08	0.18
Otb	-0.20	-0.15	-0.17	-0.08	-0.10	-0.08	0.03
Percamp	-0.25	-0.24	-0.06	-0.13	-0.09	-0.09	0.05
Pernbr	0.26	0.22	0.11	0.09	0.04	0.05	0.00
Indindv	0.14	0.11	-0.11	0.06	0.09	0.03	-0.13
Indxotb	0.11	0.12	-0.09	0.14	0.12	0.10	-0.10
Hsplus	0.11	0.13	0.11	-0.00	0.11	-0.04	-0.10

Variable	ACT 8	ACT 9	nbi	prural	indig	Council1	Indvot
ACT 8	1.00						
ACT 9	0.31	1.00					
Nbi	-0.10	-0.09	1.00				
Prural	-0.11	-0.03	0.81	1.00			
Indig	-0.03	-0.03	-0.06	0.01	1.00		
Council1	-0.04	-0.20	0.24	0.17	0.05	1.00	
Indvot	-0.09	0.01	0.18	0.12	-0.11	-0.07	1.00
Eje	-0.01	0.00	0.01	0.01	-0.07	-0.16	0.80
Otb	-0.12	-0.08	0.39	0.38	0.06	0.11	-0.01
Percamp	-0.12	-0.11	0.56	0.61	-0.44	0.03	0.08
Pernbr	0.12	0.16	-0.64	-0.73	-0.03	-0.11	-0.05
Indindv	-0.06	-0.00	-0.11	-0.02	0.98	0.01	-0.11
Indxotb	-0.05	-0.04	0.00	0.06	0.91	0.09	-0.08
Hsplus	0.03	-0.02	-0.43	-0.42	0.07	-0.05	-0.11

Variable	eje	otb	percamp	pernbr	indindv	indxotb	hsplus
Eje	1.00						
Otb	-0.14	1.00					
Percamp	-0.00	0.23	1.00				
Pernbr	0.03	-0.32	-0.85	1.00			
Indindv	-0.07	0.04	-0.41	0.00	1.00		
Indxotb	-0.06	0.12	-0.42	-0.06	0.87	1.00	
Hsplus	-0.17	-0.24	-0.38	0.34	0.08	0.08	1.00

Key:

ACT1:	participation of CV in health and basic sanitation
ACT2:	participation of CV in municipal finance
ACT3:	participation of CV in production and environment
ACT4:	participation of CV in encouraging women's participation
ACT5:	participation of CV in PAO
ACT6:	participation of CV in PDM
ACT7:	participation of CV in public investment
ACT8:	participation of CV in fiscal transfers
ACT9:	participation of CV in denuncia proceedings
Nbi:	share of the population with basic needs unsatisfied
Prural:	share of the population living in rural areas
Indig:	1 if there exists an indigenous OTB in the municipality
Council1:	1 if members of municipal council identify selves as indigenous or peasant
Indvot:	share of valid votes in 1995 municipal elections cast for indigenous parties <sup>27</sup>
Eje:	share of valid votes in 1995 municipal elections cast for EJE
Otb:	number of OTBs per thousand population
Percamp:	share of municipality's OTBs registered as peasant organizations
Pernbr:	share of municipality's OTBs registered as neighborhood organizations
Indindv:	interaction of indvot and indig
Indxotb:	interaction of otb and indig
Hsplus:	percent of population with at least some high school education

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<sup>27</sup> Defined here as the MRTKL and the EJE.

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