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Centre for Research on Inequality, Human Security and Ethnicity

Group inequalities and political violence: policy challenges and priorities in Bolivia, Guatemala and Peru

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OVERVIEW

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Executive summary

This *Overview* summarises the key findings and policy challenges identified by the CRISE research programme in its evaluation of three Latin American countries. The case studies selected were the three countries with the largest indigenous populations in proportionate terms: Bolivia, Guatemala and Peru. The underlying research challenge was to understand the role of horizontal or group inequality in overall acute inequality in the countries studied, and the relevance of group inequality to political violence.

The paper shows that horizontal inequalities (HIs)—political, social, economic and cultural—are deeply embedded in two of these countries, Guatemala and Peru, and have played a significant role in terrible political violence. They remain severe; indeed, political HIs have worsened in some respects with the legacy of violence and repression. In Guatemala and Peru, the pervasiveness of embedded prejudice and ways of thinking make even good policy initiatives non-functional. In Guatemala, for example, the public can be readily persuaded to disapprove of human rights initiatives because they seemingly sanction the freeing of the guilty, in the shape of young delinquents.

In Bolivia, meanwhile, an exceptional set of political and geographical circumstances has, over many decades, resulted in political accommodation mechanisms that have avoided widespread violence and led to a genuine improvement in political HIs. Social and economic inequalities have improved in ethnic terms, although the country has not been exempt from a general worsening of 'vertical' inequality in recent years. However, the mechanisms are unlikely to continue to work following the election in 2005 of the government of Evo Morales, with a clear indigenous base, and may have to be reinvented.

The study concludes that progressive policies could significantly change the situation, given considerable political commitment. It emphasises the need to link social and economic policies and institutional change—inequality is so deeply embedded that such complementarity is essential. The legacy of divergent pathways of economic and social progress means that, today, strong policies are needed to influence or counteract market-induced group inequalities. This *Overview* underlines in particular the regional dimension of this complementarity and argues that informal institutions are crucial—above all, the reality of discrimination and prejudice, conditioning social policy and institutional functioning at every level. This is the most difficult aspect, necessitating forceful political leadership and commitment.

In addition, the study highlights the importance of diversification of the economy and the role of institutional change in supporting small enterprises, especially to help them deal with the high levels of risk that they face, and to increase participation by women. All elements of delivery of social policy need to be reviewed to evaluate their vulnerability to attitudes of discrimination.

This *Overview* shows how much institutional change has occurred in all three countries, and can be built on. If success stories can be communicated and celebrated, cumulative progress can be fostered.

Introduction

This *Overview* summarises the key findings and policy challenges identified by the CRISE research programme in its evaluation of three Latin American case studies. The underlying research challenge was to understand the role of horizontal or group inequality in overall acute inequality in the countries studied, and the relevance of group inequality to political violence. With a deeper understanding of the causal links, one can more successfully frame policy challenges and priorities. The case studies selected were the three countries with the largest indigenous populations in proportionate terms: Bolivia, Guatemala and Peru. All three have a serious degree of horizontal inequality (HI) across ethnic divisions, as documented in section one.[1]

The key comparative finding is that, in all three cases, HI is deeply embedded in a long history of discrimination and prejudice that is present in people's attitudes, as well as in the way that institutions work. Nonetheless, there are significant differences in the three countries. In Peru, the depth of the embedding of HI needs to be understood in terms of the interplay between geography, the economic pathway and political and social structures over time. It has resulted in an internalised degree of subordination and domination that, today, makes policy alternatives very difficult to construct. A causal relation between inequality and grave political violence is highlighted, although Sendero Luminoso[2] was not an ethnic movement. In Bolivia, a different history accorded indigenous groups a contrasting vibrancy and strength, and geography and history together led to a more accommodating political system, producing significantly less violence over time but little progress on socioeconomic inequalities. Today, the government of President Evo Morales has a strong and vocal indigenous base, but faces severe limitations due to its legacy of institutional deficiencies and lack of experience and competences. Guatemala is an intermediate case in one sense and an extreme one in another, since it experienced by far the worst political violence. History shaped a degree of autonomy for indigenous groups, but it left them deeply fragmented: able to challenge authority but ultimately without power in an extremely oligarchic and prejudiced society.

To explain and learn from these differences, this *Overview* first presents data on contemporary HIs and comments briefly on the nature of ethnicity (section one). It goes on to show from where the different outcomes have emerged, and discusses the resulting context for policymaking and how it moulds policy possibilities and challenges (section two). In section three, the paper assesses the policies suggested by our analysis as most helpful in moderating HIs.

Policy discussion confronts, in all three countries, the reality of a lack of implementation ability, and in two cases, the reality of an unfavourable political climate. The study tries to deal with the former by focusing on deepening and accelerating *existing* instances of successfully equalising change. The spotlight on *existing* success stories is intentional. The move from innovation to pilot projects to cumulative replication of successful interventions needs to follow a deliberate strategy of promoting equalising change. In relation to the unfavourable political climate, the study outlines what we see as policy priorities, regardless of political opposition, and presents policies that can foster coalitions for progressive change in the future.

[1] The methodology of the project of which this is part employs the concept of 'horizontal inequality' —or inequality between groups, contextually defined, as distinct from 'vertical' inequality, or that between individuals. In the Latin American cases under review, the overlap between ethnic inequality and class is so strong that the concept of 'horizontal' sometimes leads to confusion, since there is nothing horizontal in hierarchical terms about the outcome. The study uses the two terms, horizontal and group inequality, interchangeably, and emphasises that the fundamental distinction is between individual and group inequality.

[2] Sendero Luminoso is a Maoist movement that first appeared in the Sierra in the early 1980s, originating in the University of Huamanga in Ayacucho.

1 The nature of ethnicity and horizontal inequalities

Ethnicity in Latin America is complex, with a surprising amount of fluidity among groups. As elsewhere in the world, the boundaries between groups tend to change across time and localities, but 'fluidity' in Latin America also refers to the phenomenon of individuals identifying with distinct categories during the course of their lives (moving from indigenous to *mestizo* or *cholo,* or from *mestizo* to 'white', for instance). Both cultural (notably a sense of shared history and/or customs) and physiognomic factors (such as colouring of skin, eyes and hair) tend to play an important part in the phenomenon of self-identification or ascription to certain groups.

The term 'indigenous' is highly contested, but, in essence, it refers to groups descended from Pre-Columbian populations. In turn, however, the indigenous population contains an array of ethnic groups, despite the fact that the colonial state attempted to produce a homogenising 'Indian' category. The non-indigenous population includes *mestizos, criollos* or whites and a variety of other minority groups, such as Afro groups and migrants from Asia and the Middle East. The term 'white' refers to small elite groups that are or consider themselves to be of European or 'white' descent. The term *criollo* refers to the cultural heritage of this group as shaped by its roots in the New World. The *mestizo* (or *ladino* in the case of Guatemala) category is the largest non-indigenous population group and is no less complex or contested than the indigenous category. The *mestizo/ladino* category comprises the population of mixed cultural and/or biological descent and, in practice, tends to include those who do not fit easily into any of the other categories. There are key differences, though, in the meaning and importance of the *mestizo/ladino* categories across our case studies. In the Andes (as in Mexico), understanding of '*mestizo*' underlines the encounter between different cultures and groups. In theory, some selected aspects of the indigenous heritage are acknowledged and celebrated in the *mestizo* category. In Guatemala, by contrast, the key attribute of the *ladino* category has been an emphasis on the *non-indigenous* nature of the group, denying the indigenous contribution to the mainstream *ladino* group. In addition, while there is a small elite group that does not self-identify as *ladinos,* underscoring instead its 'pure-blooded' European origins, it is usually referred to in class terms (as 'the oligarchy'), rather than in racial or ethnic terms. In short, the term '*ladino*' can be said to comprise both a 'non-indigenous' and 'non-white' component.

Finally, there are new categories in the Andes, such as the '*cholos*', who do not fit easily with the traditional divide. The *cholos* tend to be migrants or descendants of migrants from indigenous communities who have been incorporated into large urban centres and have adopted those lifestyles (typically on the outskirts of Lima, Peru, or in El Alto, Bolivia, an area of La Paz populated by migrants). In Lima and in El Alto, the *cholos* may not self-identify as indigenous, but nor do they necessarily feel at ease with the '*mestizo*' label. *Cholos* celebrate indigenous culture in a more vibrant and functional form than *mestizos.* The issue is complicated by the fact that the term '*cholo*' may be used pejoratively or as a form of self-assertion and pride.

This research programme deliberately selected the three countries in Latin America with the largest indigenous populations (see Table 1). However, due to the complex and fluid nature of ethnicity, and its suppression or denial in several contexts, notably Peru, measurement is difficult. CRISE working papers explain how we resolved the problem of data;[3] for the most part, the issue is put to one side here, although we do refer to it in the policy suggestions. Nevertheless, the weight of the indigenous population is clear, especially in Bolivia, where it constitutes a clear majority according to any measure.

[3] Figueroa and Barrón (2005); Barrón (2008).

Table 1 Estimates of indigenous people in Latin America

Estimated percentage of total population	Self-identification	Speaks an indigenous language
Population or language over 10%		
Bolivia (Census 2001)	62	35[a]
Guatemala (Census 2002; and INE, 2000)	40	33
Peru (INEI, 2001-IV)	36	48
Population between 5% and 10%		
Panama (Census 2000)	10	n.a.
Ecuador (Census 2001)[b]	7	7
Mexico (Census 2005)	n.a.	7
Honduras (Census 2001)	7	n.a.
Chile (Census 2002)	5	n.a.
Population under 5%		
Colombia, Costa Rica, Paraguay, Venezuela	>2	–
Argentina, Brazil, Colombia, Costa Rica, El Salvador, Nicaragua and Uruguay	<2	–

Notes:

a. The census asks for language learned in childhood and permits the selection of only one option. Hence, those bilingual since childhood had to choose.

b. Official numbers in Ecuador in 2001 are surprisingly low. If one adds the population whose parents spoke native languages, the figure reaches more than 14.3% (CEPD, 2000), which is still low according to indigenous organisations in Ecuador. Their estimation is 3,112,000 (26%) people, using markers other than self-identification and language (http://abyayala.nativeweb.org/ecuador/pueblos.php).

Source: Paredes (2010), derived from national censuses and household surveys.

Furthermore, in spite of measurement problems, the strength of inequality is clear. All three countries under review exhibit strong inequalities between indigenous and non-indigenous populations. An initial observation is that HIs are relatively independent of the general degree of development or the size of the economy. Bolivia is the poorest of the three countries with the smallest gross domestic product (GDP) per capita. It has a low ranking with regard to its human development indicator (HDI), with the lowest level of life expectancy and the highest infant mortality rate. Guatemala, with a larger GDP per capita, has an even lower HDI ranking and a much lower adult literacy rate than in the other two cases. Guatemala is also the least urbanised of the three countries. Peru has the largest economy and its HDI ranking is substantially higher than that of Bolivia or Guatemala, but it has the highest proportion of people living below the poverty line.

The most compelling indicator of HI is the percentage of the population living in poverty/extreme poverty (see Table 2). Other indicators collected pertain to education, health provisions, housing, and quality of employment.[4] The study finds that indigenous people have less access to services and are less educated and significantly poorer than non-indigenous people.

If we attempt to rank our countries, assigning an arbitrary equal weighting to the different measures, we obtain the results shown in Table 3. We attribute a ranking of '1' to the country in which indigenous people perform relatively well and a ranking of '3' to the country in which indigenous people perform the worst. Thus, Peru has the highest proportion of literate indigenous people (ranked '1') and Guatemala the worst (ranked '3'), while Bolivia is in between (ranked '2'). Of the five HI indicators presented here, HIs are least acute in Peru, which is not ranked third in any of the categories. Bolivia is an intermediate performer, usually ranked in

Table 2 Horizontal inequality: percentage living in poverty[a]

	Bolivia			Guatemala			Peru		
	Non-indigenous	Indigenous	Ratio	Non-indigenous	Indigenous	Ratio	Non-indigenous	Indigenous	Ratio
Extreme poverty	12.8	34.4	0.37	4.9	20.1	0.24	5.5	24.1	0.23
Poverty	28.7	31.3	0.92	27.2	47.3	0.58	21.2	29.3	0.72

Notes:

a. For details on how the indigenous/non-indigenous classification problem has been solved, see Figueroa and Barrón 2005). The basic problem is that Peruvian census data do not use self-identification, and language spoken is a limited proxy for Peru, where the indigenous population in the north and migrants on the coast today speak Spanish. Figueroa and Barrón (2005) used place of birth, but omitted large provincial capital cities in the Sierra and Amazon from the indigenous share, as a rough way of dealing with the fact that such cities have significant non-indigenous populations. This is problematic, but it works better than any alternative solution we have been able to identify. It *tends* to underestimate the degree of HI relative to other measures, such as language. The language criterion excludes the Spanish-speaking indigenous population, which tends to be less poor than the Quechua-speaking population.

Source: Barrón (2008), derived from household surveys.

second place. However, one should note that more than one-third of Bolivia's indigenous population is extremely poor (compared to one-fifth and one-quarter of the indigenous population in Guatemala and Peru, respectively). The study evidence points forcefully to Guatemala being the worst performer in four of the five categories.

A different insight on the degree to which socioeconomic HIs are important and have at least in part an ethnic dimension is derived from our survey of perceptions of identity.[5] Respondents were asked if someone's ethnic or racial origins[6] affected their chances of employment in the public or private sector. In Bolivia and Peru, nearly two-thirds felt that they did, while in Guatemala, 50 per cent thought so for the public sector and 37 per cent thought so for the private sector. The population that self-identified as indigenous consistently viewed ethnic origin as more important than did the rest of the population, but not by much. The strongest result was for Bolivia, where 76 per cent of the indigenous population in the sample felt that ethnicity affected the possibility of working in the public sector.[7]

Our findings thus confirm our suspicion of deep HIs. Latin America has long been noted for its severe vertical inequalities, but our findings indicate that our Latin American cases deserve the same degree of notoriety for inequalities between indigenous and non-indigenous groups. Stewart (2008) demonstrates the point more clearly, comparing HIs across eight countries around the world in terms of women's education and child mortality and using an indicator of wealth for the relevant ethnic divide in each country. With regard to women's education, HIs are significantly worse in our Latin American cases than they are among the Asian members

[5] The survey was not intended to be nationally representative.

[6] The language was adapted country-by-country. In Peru, the question was framed in terms of racial/cultural identity, as the word 'ethnic' is not commonly understood.

[7] All results cited are significant at the five per cent level, and most at the one per cent level.

Table 3 Country ranking of selected HI indicators[a]

	Literacy	Health: access to attention[b]	Proportion of white collar workers in economically active population (EAP)	Extreme poverty	Poverty	Most frequent ranking
Bolivia	2 (0.8)	2 (0.8)	2	3 (2.7)	1 (1.1)	2 (3 times out of 5)
Guatemala	3 (0.7)	3 (0.7)	3	2 (4.1)	3 (1.7)	3 (4 times out of 5)
Peru	1 (0.9)	1 (0.9)	1	3 (4.4)	2 (1.4)	1 (3 times out of 5)

Notes:

a. Ratio of indigenous to non-indigenous in parentheses.

b. Ratio of those who received medical attention to the proportion reporting sickness or accidents in each group.

of the group, and slightly worse than in Ghana and the Ivory Coast.[8] For child mortality, Bolivia and Peru rank worse than all African countries. The measure of household wealth also places Latin America in the most unequal category. In Peru, indigenous people, compared to non-indigenous people, are more than four times more likely to be in the bottom quintile of the wealth distribution.

Latin America has witnessed the rise of indigenous politics over the past two decades. Nevertheless, our evaluation of the political dimension of HIs points to the general exclusion of indigenous people from the higher echelons of state and political parties, but with important variations within and between the countries under review. In Guatemala, for instance, the indigenous presence in the higher echelons of state and political parties is still very limited at the national level (less than 10 per cent of deputies have been indigenous over the past 10 years), but it is becoming substantial at the local/municipal level (not less than 35 per cent since 1995). In Bolivia, the indigenous presence in state and political institutions has increased steadily at all levels since the early 1990s, culminating in the election of Evo Morales, the first indigenous Latin American president, in 2005. In Peru, the state remains largely white and *mestizo* upper-middle-class led. Overall, the absence of political parties and social organisations has created opportunities for politicians to use ethnic symbols, demands and candidates to attract indigenous voters.

This evaluation of cultural inequalities across three countries indicates that important steps have been taken towards recognising indigenous cultural rights. Official policies of actively repressing indigenous dress, customs and languages are no longer the norm in any of the countries. In Bolivia, the new constitution grants equal cultural rights to indigenous peoples. Yet, moves towards 'formal recognition' still appear hesitant in Guatemala and Peru. In Guatemala, the state now recognises most Mayan languages and bilingual education has been permitted since the late 1980s. However, Mayan languages, while no longer repressed, still hold no official status. In Peru, there is a longer tradition of official recognition of indigenous cultural rights than in Guatemala (Quechua has been an official language in indigenous areas since the radical military government of General Juan Velasco in the early 1970s). However, the state functions largely only in Spanish, and, in practice, informal discrimination in cultural terms remains strong in Peru.

[8]   The results are sensitive to the way in which groups are defined, a subject we cannot explore here due to a lack of space.

2

The embedding of inequality and the provocation of violence

This section summarises our analysis of why group inequality has persisted, and the result in relation to violence and developmental goals.

(i) The case of Peru[9]

Our analysis of the historical legacy of HIs in Peru sheds much light on the persistence of inequalities and the obstacles to successful policy. Peru is an extreme case of deep embedding of inequality over time, where inequality between groups plays a major role in overall inequality. Inequalities and political violence interact in ways that cement such embedding, as do the interaction of geography and the evolution of political and economic pathways.

The national legacy

The power relations of the colony[10] were based on a strong European culture of racial discrimination, and the need for labour and for the extraction of surplus dictated an exploitative regime. A set of norms that relegated the Indian to subordinate status, incapable of independent initiatives, was part of the mindset of the colonisers, but was also functional to the running of the system. Such a culture was reinforced by the harsh treatment and killing of indigenous leaders on repeated occasions. The ambiguity of those 'in the middle' was also already creating the incipient norms of *mestizaje,* a phenomenon at the heart of this analysis. The *mestizos* of the colony were a group that experienced progress but which seemed destined never to quite achieve 'full' status, described by a contemporary as 'people with destroyed lives'— 'hombres de vidas destruidas'.[11]

In the nineteenth century, the shift in political and economic focus to the coast was symbolised by the emergence of Lima (not a highland city) as the capital of Peru. It was consolidated by the rise of guano as the dominant export, seabird excrement that was the key fertiliser in European agriculture, thus an offshore industry. Economic and political forces combined to allow the continued dominance and renewal of the traditional powerbrokers in the Sierra, unchallenged by the forces of 'modernisation'. The working out of power relations proved a forceful method of cooptation, absorbing individuals who then saw the displacement of their compatriots as the route to their own advancement. Consequently, a 'double horizontal inequality' emerged based in regional and ethnic hierarchies. The new powerbrokers, known as *gamonales,* relied, even more so than their predecessors in the colonial period, on differentiation for social prestige and for personal opportunity; hence, the system was embedding HIs increasingly strongly with the passing of time.

As the prosperity of the Sierra waned, people opted to migrate. The *mestizo* elites who might have lobbied for better infrastructure and services in the Sierra had they stayed, chose in increasing numbers to base themselves in Lima. The more educated and entrepreneurial of the indigenous population moved, first to small Sierra towns and then by the 1940s in great numbers to the coast and to Lima. The damage done to the indigenous leadership by the colony was compounded therefore by the dynamics of economic growth after independence from Spain in 1821. In the nineteenth century, there were still profitable opportunities for some

Sierra products—although the evolution of power relations meant that indigenous peoples benefited relatively little. Subsequently, though, the economic importance of the Sierra steadily declined, aggravated by food policies that favoured imported food for the coastal population.

Policymakers did not totally ignore the indigenous population of the Sierra, but they failed to understand the nature of the constraints on its development. Governments knew that they had to 'civilise' the Indian, as part of making him/her a more productive source of labour. At the heart of the approach was a focus on the assimilation of indigenous peoples via education, hygiene, railways and roads. The increase in spending on education took the share of the national budget from one per cent in 1900 to some 10 per cent by the 1940s and 15 per cent by the 1950s. However, the *average* illiteracy rate in the southern Sierra was still 80 per cent in 1940—the rate for indigenous people can only have been higher. More shocking still, the percentage of 6–14-year-olds receiving instruction *fell* in Ayacucho, Huancavelica and Puno and remained constant in Cuzco.[12] By 1960, the average illiteracy rate for the southern Sierra was 62 per cent.

The reason for such poor results was the embedding of education in the existing power structure. The traditional view in rural highland communities was that schooling 'would make your child disrespectful'. In addition, girls were felt to be at particular risk; indeed, sexual abuse by teachers is well documented.[13] Garcia (2003, p. 81) provides a powerful illustration (the author is talking to Gloria, now a parent herself, who was raped at school by her male teacher):

> 'Ashamed, she had never told her parents about his abuse, but she had also refused to return to school, and because of this she had been severely punished by her father. She continues: "My brothers also took advantage of the fact that my father hit me, so they would beat me up too and call me stupid because I did not go to school. But I knew it would be worse if they knew why I did not want to go. I was afraid they would hit me harder for that"'.

As a result, she was now sending only her sons to school. Abuse, therefore, deprived two generations of girls of access to education.

By the 1960s, there was mounting popular protest over HIs, especially land issues, leading to one of the most radical land reforms of the time in Latin America, carried out by Velasco's radical military government. The reform was collective in nature, aiming to create large co-operative units of various kinds. However, due to a lack of necessary support in terms of resources and management and other skills, it produced *increasing* conflict in many zones. In Ayacucho, although many landlords had already abandoned or sold their estates, the reform allowed the better-off peasants to replicate deeply-rooted traditions of clientelism and dependency, and new forms of resentment and conflicts arose, providing a fruitful entry point for Sendero Luminoso.

A sign of hope was the rise in political activism on the Left, with new parties emerging with significant appeal to young urban-based activists, who at this time had their first radicalising experience of the inequalities faced by indigenous people in the heartland of the Peruvian Sierra. However, immense support for networking and brokering of interests occurred in the context of a deeply hierarchical ideology and practice, which made the development of a more dense grassroots organisation impossible—unlike in Bolivia, where such an organisation served as a channel of communication and for transformation into indigenous movements. In fact, this experience, although intense, left many peasants feeling alienated and frustrated, especially about the parties' lack of sensitivity to issues on the ground for struggling indigenous peasants. Thorp and Paredes (2010) highlight the significance of this by contrasting the south, where the Left was most active, with the north, where the power of landlords and traditional institutions was already greatly diminished and where the Left played little part. Peasant organisations in the north flourished in a more autonomous and healthier way than in the south. The community watchdog organisations created in the north, known as 'rondas', became, in many cases, a source of community justice, given the failure of the formal system.

[12] See Contreras (1996, Table 7, p. 41).

[13] See the monographs written in the 1960s by the Instituto Indigenista Peruana.

The vertical and ideological culture of these organisations was not easy to overcome when the country turned to democracy in 1979, neither by the leaders of the peasant organisations, nor by the party leaders, who were often the same people. Although class-based rhetoric became less important in these years, organisational characteristics were resilient to change in an environment with plenty of opportunities for indigenous peasants and their allies of the Left. However, resources to transform the vertical and sparse network built in previous years were lacking, with most capable people from the movement transferring their efforts to building the electoral front and maintaining a competitive logic that ended up hindering the creation of autonomous spaces of convergence between the social organisations of the countryside or the Andean region.

When Sendero Luminoso started to appear in the 1980s, the movement could feed on discontent in the central highlands, but made little or no headway in the north or the south. Its incursions in the south came later and were less successful than in the central highlands. Vulnerability to mobilisation was also due to the high degree of HI: Sendero's techniques exploited need, frustration, a sense of injustice, personal insecurity and the need for 'authority' and 'order'. Sendero was also powerful among the young people who had left their communities and abandoned their indigenous peasant identities to embrace the new opportunities promised through education and citizenship, but found that the gap between the coast and sierra, Lima and Ayacucho, still existed.

With time, Sendero's own techniques of recruitment became increasingly coercive; the official response of the police and army was also violent, because of the inherited prejudice and discrimination characteristic of both sides. It was somehow more possible to kill someone seen as inferior. The violence of both sides served to aggravate HIs. This was the conclusion of the Truth and Reconciliation Commission (CVR), reporting in 2003.

The vicious circles did not end there, though. Recession and political violence and its violent repression now narrowed the political space. The severity of recession sent people back to survival activity, while the damaged indigenous peasant organisations found their ability to network even more restricted. In the late 1980s, indigenous peasant organisations collapsed along with the political parties that supported them, opening the door for the campaign of vilification and criminalisation of protest that characterises the era of President Alberto Fujimori. Thorp and Paredes (2010) demonstrate both the potential and the tragedy of these years through an account of the *comedores,* or peoples' kitchens: an instance of constructive self-help by indigenous and *chola* women of an exceptionally encouraging form—yet ultimately damaged extensively by distrust, by the need to survive and by violence.

In various ways, all of these events shaped the institutional path. The collapse of political parties was of deep significance to institutions. The alienation from politics played its part in the coming to power of Fujimori in 1990, a candidate with no party and no record. In particular, the divisiveness of the Left and its failure to engage successfully with the peasant movement in the south shaped the political culture and expectations. Violence further embedded attitudes of prejudice and discrimination. The mismanagement of the economy, and especially the handling of farm gate prices, led to a deepening of the feeling that 'nothing can be done about the Sierra' across the political spectrum.

From these interactions between inequality and political violence, one can glean much about the depth of the embedding of group inequality. One can see, first, how political violence grew out of group inequalities and reacted to them, although not exclusively—other forces were at play. One can see, second, how political violence, principally through the repression it induced, worsened HIs, particularly political and socioeconomic HIs. One can see, third, how HIs were also perpetuated and aggravated by the failure to construct healthier democratic politics, and in particular by the failure of the emerging Left to facilitate participation, by inability to resolve the economic crisis, and by its aggravation via hyperinflation. In each instance, political violence played a part, and each failure shaped institutions.

The contemporary policy terrain

Recent decades have served to embed even further an unfavourable set of institutional conditions. The strong move to neoliberal policies under Fujimori coincided with a rise in mineral prices (from the early 1990s), which rescued the country from the severe recession induced by abrupt stabilisation. The combination, though, was not healthy in relation to the embedding of HIs.

The events of the 'Fuji era' are fairly well known beyond Peru. Having come to power promising a pro-poor alternative economic policy, Fujimori soon decided that international backing required a neoliberal commitment. As mineral prices rose in the mid-1990s, a commitment to orthodox economic policies and to smoothing the path of the foreign investor seemed to make sense. The 1992 capture by the intelligence forces of Abimael Guzman, the leader of Sendero Luminoso, and with him one-third of the group's leadership, gave Fujimori twin victories in the wars on terrorism and inflation, as export-propelled growth allowed orthodox stabilisation measures to slow down price increases. Fujimori 'cemented' victory with an anti-democratic coup, closing Congress. A period of dictatorship involving policies of cooptation and attacks on organisations further weakened structures of democracy and reduced possibilities for participation.

When the 'Fuji era' ended in November 2000 with the exposure of corruption, the stage might have seemed set for more progressive policies. The transition government of Valentín Paniagua did record important achievements, such as the launch of the CVR and the implementation of various institutional reforms, but people's organisations were too weak to capitalise on the opportunity. A clear indicator of this is that the CVR did not have a representative of indigenous people, the main victims in the conflict. This also illustrates well the situation of indigenous movements in Peru after Fujimori.

Despite acknowledgment of group inequalities during the presidential campaign of 2000–01, the next government, headed by Alejandro Toledo, proved ineffective in reducing them, and the election of Alan Garcia in 2005 represented a gamble that he would deliver stability and growth via conservative policies—he defeated Ollanta, a military populist claiming to speak for the indigenous majority. Increasingly, politicians at the national and local level are campaigning using an indigenous discourse and adopting indigenous demands, but without links to grassroots organisations, these forms of indigenous politics do not extend beyond the electoral game.

The present government of Garcia has sustained a conservative and pro-foreign investment line. The economy has grown significantly, but the overarching strategy of the government has been to buy peace to smooth the entry and development of direct foreign investment through a combination of repression and lavish passing of tax revenues to local governments in the producing localities. This has occurred at a time when the spread effects from large-scale mining have been reduced by the increased sophistication and increased scale of operations, requiring imported technology and equipment. The increasing prevalence of 'just-in-time' management was working in the opposite direction, generating a new interest in local suppliers of inputs to permit low inventories, since suppliers were close at hand, but this was not enough to compensate. The sector also continued to endure most of the bias towards international suppliers inherent in the whole system of international financing and in feasibility studies.

The problem is that key to modifying HIs in Peru is designing and implementing good development programmes at the sub-national level. Although decentralisation has been the official line since 2000, local and even regional governments have lacked capacity and experience, and the agents of the national government do not have an effective local presence. The amounts of money distributed have been rather large, but a lack of ability to spend the money well has held things up. Our collective action case studies demonstrate this,[14] notably with regard to the gold and copper mine of Tintaya in the Sierra of Cusco. Here, generous grants from the mining company to the affected communities and the municipality resulted in frustration and

[14] Munoz, Paredes and Thorp (2007).

renewed violence. More broadly, an evaluation of the relationship between funds made available through the 'canon', the name of the tax on mining profits, and the level of conflict, reveals a positive correlation: more money, more conflict (Arellano, 2010). This is a disturbing finding.

Similar impediments have restricted and distorted the impact of social programmes. In light of Fujimori's lack of a support base, he moved steadily to use such spending as a source of patronage. The two key programmes, FONCODES and PRONAA,[15] have been extensively evaluated: they did have positive welfare effects, but the quality of spending left much to be desired and their use for cooptation meant that, even if they improved socioeconomic HIs in the short term, they did not empower indigenous groups. The partial cooptation of the *comedores* movement is a vivid example of how political HIs were under threat from the evolution of the political institutional context. The more positive aspects have been significant building of infrastructure in the Sierra, although nothing like enough to right the historical imbalances, and the surprising degree of institutional change that began under Fujimori.[16]

A powerful innovation was the creation of an ombudsman, the Defensoría del Pueblo, and the (perhaps accidental) appointment of an effective and strong head, Jorge Santisteban, a progressive lawyer. The neoliberal context, though, meant that, in the area of the environment, for example, *implementation* has been seriously deficient, requiring as it does an effective state.

The environment was a key issue as mining investment rose, with a high rate of ethnic inequality, since the prime danger was to indigenous communities and their surrounding urban and rural populations—a threat to clean water, to the food supplies depending on it, and sometimes to the way of life of these people.[17] The new laws provided in principle for public hearings, with affected communities having a presence. Here, though, is a classic example of how the embedding of inequalities over time can make the problem almost imperceptible. Given the history of centralisation, it seemed 'natural' to hold public hearings on, say, a company's proposed environmental plan, in Lima. Yet this ignored the real costs and the resulting lack of ability to participate on the part of indigenous populations because of transport costs, opportunity costs, and a dearth of information.[18] Environmental abuse claims now became a prime source of conflict and often of violence at the local level. Distrust and lack of transparency prevailed.

CRISE research shows that social service delivery and justice have been shaped by an institutional evolution that is incredibly unfavourable to the goal of ameliorating group inequalities. Well-intentioned policies of assimilation through education and hygiene began a century ago, but their outcomes have been consistently distorted. Today, the gap in education and health HIs is closing at last in quantitative terms. More research is required on the quality gap, where serious questions remain. Indigenous women, though, remain seriously disadvantaged. Attitudes of prejudice and discrimination and internalisation of discrimination profoundly affect the working of the justice system, and only in the north, where HIs are already better, are there elements of an alternative justice system that might help. The good news is that, primarily through the Defensoría del Pueblo, the issue of unequal access to social services, to public services of all kinds, and to the legal system, is at last being taken seriously.

The greater problem is the shape of an economic strategy. Two centuries of effective discrimination of the Sierra in the areas of policy planning and resource allocation makes it seem daunting indeed to develop coherent strategies for the Sierra. Yet, without an economic strategy, social policy will be ineffective, as explained above. The emphasis on encouraging extractive industries as the motor of economic growth is particularly unhealthy for the broadening of economic opportunities when state institutional conditions are weak. This *Overview* has shown how local-level development efforts by the foreign private sector, and the strategy of redistribution of revenues to local governments, both encountered the obstacle of underdeveloped local capacity for spending and a lack of effective micro-to-macro links. There is much external goodwill to support appropriate institutional- and capacity-building as a first priority. Mechanisms to build consensus and mediate conflict are seriously underdeveloped and need to be a top priority.

[15] FONCODES: Fondo de Cooperación para el Desarrollo Social, Ministerio de la Presidencia; PRONAA: Programa Nacional de Asistencia Alimentaria, Ministerio de la Mujer y Desarrollo Social.

[16] Despite the negative characteristics of the Fujimori period, one should note that, concerning institutional development, important laws were enacted. While some of the measures created a generous context to attract foreign investment, others introduced much needed environmental control, and yet others reshaped the tax administration and customs in valuable ways.

[17] An example is the project to exploit the Quilish Mountain on the Yanacocha site. This is a sacred mountain for local populations, so the threat goes beyond water supplies.

[18] Campaigning by non-governmental organisations (NGOs) gradually began to remove this invisibility. The Tambogrande project is a good example of an instance when public hearings were not adequately communicated or the presence of those most affected facilitated.

ii) The case of Bolivia

On contrasting Bolivia with Peru, one sees paradox after paradox. The countries share the misfortunes of a rich mineral endowment, with Bolivia more firmly based in extractives than Peru. Mineral wealth typically brings with it a history of inequality and violent conflict, yet Bolivia has made an unusual degree of progress over time in reducing political inequalities, particularly ethnic, and with surprisingly little mass political violence. With all that progress, though, economic and social HIs today are less favourable than in Peru. How does one explain such a situation?

Bolivia's history of indigenous/non-indigenous relations was shaped more favourably than that of Peru, even in the colonial period, while geography had a remarkable effect on political evolution, but a strong negative effect on the economy—the more so once the country lost all access to the sea following the nitrates war with Chile in the 1870s. History and geography helped to shape a weak state and the combination of geography, political evolution and a weak state led to Bolivia's speciality: 'politics of accommodation'.[19] However, the relative strength of an ethnic social movement may not necessarily translate into improved socio-economic HIs: in this, Bolivia and Guatemala are alike.

Different legacies

Bolivia was part of the Viceroyalty of Peru until independence from Spain in 1825—'Upper' as opposed to 'Lower' Peru. However, the major indigenous revolt against Spanish rule, the uprising of 1781 and the siege of La Paz, far from leading to the destruction of the indigenous movement and the elimination of its leadership, provided a revolutionary tradition and inspiration. The resulting repression was far less extreme than in Peru. Fundamental in this was geography: the capital was in the heart of indigenous territory in Bolivia. The rebels laid siege to the capital city itself and were able to cut off supplies—a pattern repeated constantly up to the present day. This geography forced a politics of accommodation radically different from the situation in Peru, where the rebel forces could be isolated and destroyed.

Spanish colonisation led to demographic collapse, via epidemics and conflict, throughout the area, but the impact was far less disastrous here than in Lower Peru. Such robustness is indicated by the fact that many communities (called 'ayllus' in Bolivia) simply became the new villages of the colonial structure, a sign of their coherence, whereas in the region of Cuzco, huge numbers of indigenous people were physically moved, and indeed uprooted. The rebellion in La Paz, which culminated in a 184-day siege, was headed not by *mestizos* or other intermediaries ('*caciques*') but by an illiterate peasant-cum-trader, Túpac Katari,[20] with almost no support from the local *caciques.* The movement was accountable to the people in a way that was different in kind from Cuzco. *Mestizos* and *creoles* were often made to wear Indian clothing, chew coca and swear obedience to the Indians. This clear aspiration for indigenous self-rule was promising terrain for future political life.

The difference between Peru and Bolivia was further increased by another aspect of geography. Those migrating to the coast of Peru were moving to an alien and isolating culture where hiding your identity was a rational action and fragmentation was a natural consequence. In Bolivia, migration was to a relatively familiar Andean culture.

The need for accommodation was not simply a matter of geography: it was also because the state was weak. Extractives typically provide actors outside the state with a strong base: if a strong state is not already in place, it becomes unlikely. In Bolivia, the post-independence economy was driven first by silver, then, by the end of the nineteenth century, by tin. What is remarkable is the continued vigorous role of national elites. Bolivian tin had the distinction of producing the earliest and most notable Latin American international capitalist, Simon Patiño. In 1928, 41 per cent of the Bolivian tin industry—by then accounting for 70 per cent of exports—was nationally owned. But the narrowness and instability of public–private relations were

[19] See Gray Molina (2007). The concept is introduced in a study of Bolivian politics in the early twentieth century (Irurozqui, 1994).

[20] Katari traded in coca and baize cloth. Túpac Amaru was also a trader but at another level: he owned a string of mules.

not conducive to the formation of a mature state sector. A CRISE project shows how the nature of mining elites and unequal balance of power between the state and elites led to bouts of contestation, undermining or preventing the institutionalisation of public–private relations so necessary to a well-functioning political economy.[21]

Thus, Patiño—who sought to contribute to Bolivian development—claimed he was constantly frustrated in his projects to diversify the economy. In an interview in 1911, he claimed that he wanted to invest in Bolivia: 'Using my judgement as a Bolivian and an industrialist I have come to the conclusion that, instead of piling up in Europe what is left over from my mining and banking profits, it would be more advantageous to leave them in my country, benefiting it and me'.[22] He created a bank—the Banco Mercantil—in 1912 and numerous schemes, such as colonisation of the east of the country to develop supplies of food and wood for the mines, with a railway to bring the goods, but Congress refused the concession. The fragile institutional fabric did not provide a basis for trust or instruments for settling disputes, and his investments never came to fruition.

By the 1920s, furthermore, the government was succeeding in taxing the tin sector, generating considerable friction and transactions costs in the process, but its use of the money, as well as of that borrowed from abroad, for prestige projects and corrupt activities, became notorious. The miners opposed both taxation and external borrowing, which was leading to higher taxes. However, the revenues were sufficient to feed the political model that developed.

A 'harmony of inequalities' is how the literature describes the model of elite accommodation and resurgence that developed within this context of geographical and institutional framing.[23] The latter produced a new vocabulary that celebrated the '*mestizo*' and 'indigenous' character of the 'Bolivian nation'. This form of recognition was itself a platform for more nuanced constructions centred on ethnicity and class-based cleavages during the second half of the century.

The 1952 Revolution is a milestone on this historical path, sharing as it does with pre-revolutionary periods the survival of old forms of elite accommodation. Universal suffrage, agrarian reform and the nationalisation of mining were foundational events of the Revolution, carried out by a loose coalition of middle-class politicians with the backing of worker and '*campesino*' militias.

The revolution established a new vocabulary that emancipated indigenous citizens from colonial forms of labour exploitation, and pointed to a new cohesive identity linked to the working classes, peasantry and a national bourgeoisie. The *campesino* played a key role in defining the identity of those behind the revolution's most important action: the Agrarian Reform of 1953. A significant feature of the reform was the dissolution of all forms of agrarian labour exploitation coupled with massive redistribution of land over 30 years. The Agrarian Reform decree erased all mention of 'Indian peoples', 'Indian race' and Aymara or Quechua identity from official discourse.

A major success of the land reform programme was the redistribution of nearly 50 per cent of peasant lands within the first two years. Bottom-up land takeovers precipitated a top-down process of land reform, but one always focused on creating small-scale units, in contrast to the collective reform in Peru that occurred some two decades later. The land reform provided a focal point for social action and political discourse during the early phase of the revolution.

Important for understanding this evolution is the way the revolution institutionalised a dual form of government. In the early years of the revolution, power was in the hands of a worker and *campesino* militia, associated with the Central Obrera Boliviana (COB), and the Movimiento Nacionalista Revolucionario (MNR) leadership that led the revolutionary government. Dual powers allowed the popular movement access to political power without yielding collective political positions to the government. A key feature of dual power is the absence of political hegemony within the government, which secures governance and political support by 'sharing power'. Such accommodation through sharing power continues to this day. Checks and balances are institutionalised outside of formal governmental bodies. Social movements or

local grassroots organisations have arms-length control over government policy decisions in a context of weak state legitimacy. At the same time, a strong hold by the elite on political and economic power was buttressed by clientelism among the mining-based elites, urban middle classes and indigenous communities. In 1936, President David Toro consolidated his political support by introducing compulsory unionisation in urban and rural producer associations under the nascent COB. The MNR adopted this tradition as they consolidated power in the 1950s.

Over time, ethnic representation increased steadily, first in municipal politics, and since 2002, in national politics. Today, indigenous deputies or senators represent nearly one-third of congressional districts, while urban-based popular workers or informal sectors and middle-class *mestizo* representatives of the 'traditional' political class represent another one-third, respectively. However, the mainstreaming of indigenous political demands—constitutional reform, land tenure reform, bilingual education, Constitutional Assembly—has been achieved mostly by indigenous social movements, on the streets rather than in Congress

This political model, therefore, has its good and bad sides. Bolivia remains a deeply conflictive society with frequent bouts of protest, but major outbreaks of violence have been averted so far. One of the main findings of CRISE research[24] is that the presence of strong collective action organisations has helped to prevent major violence. These organisations use multiple strategies (such as industrial action, blockades, pacific protests and hunger strikes) and contain protest once a gain has been achieved. All this is telling as it suggests that, even in tense and/or conflictive situations, there are mechanisms that prevent violence, not least state restraint and tolerance of these organisations.

However, by providing a survival mechanism for a weak state, the model has been negative, compounding the lack of a breakthrough seen in the developmental sphere. Following the revolution, there was a surprising initiative aimed at diversification and development, namely the creation of the Corporación Boliviana de Fomento (CBF) as an industrial promotion agency. But the CBF struggled through the post-war period due to a lack of resources and leadership.[25] Industry maintained a low share of GDP, and in the 1980s, the combination of the debt crisis and the collapse of tin led to hyperinflation and then severe recession. Per capita growth was approximately one per cent, more than a percentage point lower than the regional average. Given the country's small size and lack of access to the sea, relatively slow growth, except for the silver and tin booms, and a lack of diversification were to be expected. Even strong land reform left the countryside in a state of poverty, due to the absence of infrastructural and other support.

The lack of economic room for manoeuvre meant that new demographic and social pressures produced new cleavages. The movement of people, but more critically of social identities and class positions, meant a gradual shift in social power in Bolivia: away from a simple rural–urban cleavage based on mining and agriculture to a more complex set of overlapping cleavages based on the emergence of a vast informal economy, the rise of natural gas in the south and the mixing of identities through migration and resettlement. There was also continuing discrimination. The CRISE survey[26] on perceptions of ethnicity shows that, while people are reluctant to admit to discrimination, 75 per cent of those surveyed believe the public sector discriminates by ethnicity. A 2006 poll found that more than one-half of the population thinks that Bolivia is a racist society (Fundación Unir, 2006).

Key features of this process of social change are the occurrence of equalising change—social and economic gaps between indigenous and non-indigenous groups and between men and women are closing—and the shift in the site of inequality from relatively old cleavages (indigenous versus non-indigenous, urban versus rural) to a more complex process of differentiation driven by urbanisation and migration. An important conclusion of CRISE research is that the 'old' inequalities in education and the labour market have genuinely diminished, replaced by 'new' inequalities, as much within traditional ethnic groups as between them. This parallels the Peruvian phenomenon of differentiation and prejudice between new urban indigenous groups and their rural counterparts.

[24] See Molina Rivero (2010).

[25] Maritza Paredes, DPhil, University of Oxford, in progress.

[26] Surveys of perceptions of identity carried out in all CRISE countries. See Stewart (2008) for details.

The contemporary policy terrain

The political scene changed radically in Bolivia in 2005, with the electoral victory of Evo Morales and the Movimiento al Socialismo (MAS) party, with considerable support from indigenous groups and with a clear mandate to implement policies to reverse historical HIs. However, the government faces vocal opposition.

From the opposition's perspective, the agenda of fiscal and political autonomy spearheaded by the civic committees and prefects of four departments set the stage for a drawn-out process of political confrontation, despite an otherwise overwhelming MAS majority. The flames of discontent are fanned by the location of natural resources and strong disagreements in constitutional debates on natural resource rights and property, including land rights and usage.

Notwithstanding this opposition, a massive reform programme has been unveiled, partly through policies implemented by the Morales government but principally through a Constitutional Assembly, which produced a new constitution. Implementation of this constitution implies a substantial reform agenda for the next decade. Reform of the Electoral Court has led to the introduction of a quota system for indigenous representation in the electoral body. Decentralisation to give more autonomy to the regions includes new 'indigenous autonomies'—the authorities are to be elected using traditional mechanisms. Many of the other planned reforms also aim to reduce longstanding political and cultural HIs, such as blending the current judicial system with the communitarian law followed by many indigenous people. Given wide support from Leftist political parties, trade unions, indigenous groups and non-governmental organisations (NGOs), as well as a large majority in Congress, Morales' administration is likely to succeed in pushing through these reforms.

The reform process, however, faces four main challenges, in addition to the political opposition already described. The first relates to the sheer size of the reform agenda. The constitution contemplates a new design for many areas of the state (including Congress, the Supreme Court, the Electoral Court and new sub-national governments). Moreover, the new institutional designs and mandates for different institutions also imply substantial rewriting of laws, codes and procedures. Attempting to tackle too many reforms at once may result in lags in some areas or implementation that is not carefully considered. However, the demands of the many groups making up Morales' political party (the MAS) may make a gradual reform and ordered process extremely difficult.

The second challenge concerns capacity to implement the reform agenda. The managerial capacity of Morales' administration is questionable. On the one hand, certain programmes in the areas of education and health have yielded good results and have been implemented efficiently with the support of international consultants (mainly from Cuba and Venezuela). On the other hand, policies such as the nationalisation of the hydrocarbon industry require skilled human resources: there is a large deficit in terms of the human capital necessary for running the newly created institutions that will result from many of these reforms. That many of the proposed reforms imply innovative schemes (such as having a mixed board of directors and some members appointed by Congress and others designated through traditional means by indigenous groups) increases the level of difficulty in identifying accumulated knowledge and expertise.

A third challenge relates to the possibility of some reforms resulting in newly created group inequalities. Many of the proposed reforms aim to rectify the HIs suffered by the indigenous population. However, procedures and details not carefully considered, as well as rushed implementation, may result in some specific cases generating new HIs. For example, a proposal by former Minister of Education Felix Patzi involved replacing all republican history on the lower education curricula with exclusively pre-colonial history of indigenous people, simply reversing a cultural HI rather than equalising it.

A fourth challenge concerns the shift in the political economy that occurred with the election of Morales. It is important to recognise that everything that has been said about the politics

of accommodation has been drastically affected by the advent of Morales. One of the main findings of this research is that the presence of strong collective action organisations (such as the *sindicatos*) has helped enormously with preventing major violence. Throughout the twentieth century, social movements generated strategies to extract gains from the state. The state has always been able to draw on the strength of the army and the police to counteract these demands; most of the time some sort of accommodation has been achieved, with some gains for social movements. The big question is how these strategies and accommodation processes work now that social movements are hegemonic and, in a way, part of the state. The pressures for change that, historically, have been in a delicate equilibrium between the state and collective actors outside of the state, must now find new and adequate outlets, if Bolivia's success in avoiding violent confrontation is to continue.

Moreover, social movements are connected to the MAS to different degrees, and some have no ties at all. Power struggles between competing movements could result in violence now that links to the state provide some with the strength to advance their position in specific spheres. The case of the mining trade unions is illuminating. The traditional trade union (formed by miners from the bigger mines and from the state-owned mining company) faces increasing competition from the more recently created trade union formed by members of small mining cooperatives. Both are allies of the government. Violent clashes over control of specific mining levels between these unions have already occurred in Huanuni, claiming the lives of approximately 30 people. The government faces an impossible situation. First, it cannot send in the army or the police as this would involve repression by the armed forces and probably the deaths of miners (the use of dynamite is so widespread that normal control tools such as pepper gas are useless), resulting in the government been seen as yet another typical government and not 'their government'. Second, it cannot take sides, as this would involve betraying the other party. The solution has been to grant concessions, mostly monetary, to both sides, but this is only possible while the government has enough resources to do so (see the policy section below).

The problem of resources thus permeates the current political economy. Bolivia is as dependent on extractives as ever, and bears all the typical burdens of weak instruments for diversification and very limited competences in public sector management. In addition, the political economy has become particularly troublesome since the old ways of achieving consensus are not valid in the contemporary geographical and political configuration.

iii) The case of Guatemala

Guatemala also presents a paradox. Perversely, the country's very lack of natural resources— no extractives to interest the colonisers, and no obvious agricultural source of wealth—led to a process of colonisation that was harsh, as it was across Latin America, but less disruptive than in Peru: wholesale uprooting of communities did not occur. As elsewhere, the indigenous populations were accorded subordinate status. Furthermore, legal provisions limited freedom of movement, prohibiting access by indigenous peoples to trades and occupations and preventing ownership of land on an individual basis. Despite the lack of an extractive industry, indigenous forced labour (paid and unpaid) was a prominent feature of the colonial and post-colonial political economy, notably in the agrarian sector and key public services (road building and maintenance and forced conscription in the army). The practice of forced labour evolved over time, with debt peonage and vagrancy laws becoming commonplace in post-colonial Guatemala. The tribute was levied either in kind or through cash payments. But the forced resettlement policies of Peru were not reproduced to the same extent. Communities tended to hold on to their land in the central and northern highlands of the country, but were rapidly dispossessed of fertile lands on the Pacific slopes.

An enduring characteristic of Guatemala has been that separation and relative isolation led to a degree of protection of community structures in the western highlands, which contributed

to the maintenance of a sense of identity. However, collective identity has tended to be fragmented, rooted in individual communities rather than expressed through a wider pan-indigenous community. At the same time, over the entire post-colonial period, the whole country and economy remained poor and underdeveloped, which in due course significantly affected possibilities for community development and thus both political and socioeconomic HIs.

The contrast continues in relation to the evolution of ethnic identity. As in Bolivia and Peru, a mixed identity evolved in Guatemala, called '*ladino*', not '*mestizo*', but it was more a phenomenon of the plains, with the highlands remaining more deeply indigenous. Originally, the *ladino* category tended to have primarily biological undertones, but cultural distinctions grew in importance over time. Initially, the *ladino* category incorporated those of mixed descent, but increasingly it also came to include those who did not fit with the official system of categorisation or stereotypes (for instance, less wealthy migrants) as well as those born in indigenous communities but who sought to avoid the subordinate statutes and limited opportunities that such a label attracted. On the whole, *ladinos* had to speak Spanish and adopt non-indigenous dress, diets and lifestyles. In sharp contrast to Peru, the *ladino* category tends to be less celebratory of notions of mixed heritage, emphasising instead the groups' non-indigenous and non-white aspects.

By the late nineteenth century, the *ladino* group could access most occupations and state bureaucracies; some members could access positions of power and influence at the local and national level. It is important to note, however, that, while the *ladino* state bureaucracy and municipal authorities that emerged in the late nineteenth century eroded the power of traditional indigenous leaders, the loss of formal status did not equate with loss of influence, status or respect within the community. In many municipalities of the highlands, traditional leaders remained influential actors whose consent was often courted by public officials. This phenomenon helps to explain the enduring coherence and profound sense of collective identity observable at the community level.

The advent of the liberal regime (1870–1944) and the coffee export economy was critical for setting in motion a new cycle of HIs, which was partly inspired by tradition and past practices of separateness, division of labour and the survival of institutions designed to coerce labour from indigenous communities. This revitalised cycle of HIs was partly sustained by a deeply repressive approach to politics. Introduced in the 1850s, coffee production entered a period of spectacular growth between 1880 and 1920. The coffee boom led to a general division of labour: indigenous people provided the majority of the labour force; a handful of wealthy *ladinos* and *criollos* owned the plantations; and less well-off *ladinos* increasingly monopolised the emerging national and municipal state bureaucracies, as well as working in the coffee economy either as plantation supervisors or managers or as small traders and labour recruiters in indigenous communities. In the highlands, some traditional leaders now became powerful intermediaries, thus occupying a privileged position within the group of indigenous people in the coffee economy, but not giving up in the process their indigenous identity. In this, they differed from their counterparts in Peru, where such actors were visibly coopted into the *mestizo* group. The difference reflects the greater degree of separation and relative isolation of indigenous communities over time in Guatemala.

In Guatemala, as in Bolivia and Peru, the authorities preached a discourse of assimilation. Yet here the different levels of national poverty and capacity made a difference. In Peru at least, schools as well as police and health posts were built, providing some local presence of 'official Peru', even if they were ineffective in terms of social policy goals. In Guatemala, Spanish education was supposed to be free and compulsory for all, but no resources were made available to develop school networks in indigenous areas. The mixture of formal exclusionary mechanisms (limited franchise and exclusionary secondary laws) and informal exclusionary mechanisms (language and cultural barriers that prevented access to the state and public services, staffed by non-indigenous persons) remained an enduring characteristic of the Guatemalan national state until late into the twentieth century.

The road to war and peace

Eventually, as is well documented, extreme political violence did ensue. As in Peru, this followed a period of social mobilisation and frustrated modernisation. Mobilisation for violent rebellion was led by non-indigenous actors, who recruited even more successfully than in Peru on the basis of perceived group inequalities and injustice. With its roots in progressive Catholic action, the ideology was distinct from the Maoist framing of Peru's Sendero Luminoso.

Social mobilisation was advanced during the brief democratic interlude between 1944 and 1954, ending with the overthrow of President Jacobo Arbenz. The armed forces' approach to economic development following the 1954 coup promoted modernisation and diversification of the economy but did little to address poverty or inequalities. The swift GDP growth registered in the 1970s (constantly above seven per cent early in the decade) was of limited benefit to the Guatemalan masses, especially as inflationary pressure mounted. Guatemala's economy grew, but poverty and inequalities continued to be pervasive. Illiteracy remained a widespread phenomenon, affecting an average 47 per cent of the population in 1980.[27] Around 70 per cent of the population was living in poverty and 40 per cent in extreme poverty in 1980 (Berger, 2006, p. 22). The distribution of land in Guatemala also remained among the most skewed in the region with the Gini Coefficient for land increasing from 0.82 to 0.85 between 1964 and 1979, the highest in Latin America at the time (Hough et al., 1982, pp. 2–3). By the 1960s, more than 600,000 families (mostly indigenous) could no longer ensure their subsistence and actively sought supplementary income through seasonal migratory work (Adams, 1970), reducing the need to coerce labour on to the plantations.

Socioeconomic change, however, also brought about a series of unintended consequences. The process of industrial expansion, for instance, saw the number of workers in the manufacturing sector rise by 50 per cent between 1965 and 1975 (CEH, 1999, p. 149), underpinning the emergence of urban-based organisation and mobilisation in the 1970s. Social change was also much in evidence in rural areas. Indigenous communities had tended to operate in relative isolation from one another but road building and the process of seasonal migration to the southern or piedmont plantations meant that inter-community exchanges were rapidly increasing.

Mobilisation led to armed uprisings and eventually to civil war. The civil war was lengthy (1960–96) and complex, involving local, regional, national and international actors. Initially driven by small guerrilla groups located in the western regions of the country, armed opposition re-emerged in the mid-1970s, this time spearheaded by larger guerrilla groups located in the indigenous highlands of the country. A process of mass mobilisation against the military regime started to crystallise from 1978, involving both the revolutionary Left (buoyed by the victory of the Sandinista National Liberation Front in Nicaragua in 1979) and more moderate opposition to the regime. The Guatemalan armed forces, with the active support of the economic elite, undertook to wipe out the revolutionary threat from the country, initially targeting political opponents but then (1981–83) engaging in indiscriminate mass repression and killings. Most of the 200,000 casualties of the Guatemalan civil war died during this period. Of this number, 83 per cent were indigenous people. Repression led to mass internal displacement (estimates vary between 800,000 to around one million internally displaced and more than 40,000 in exile in Mexico).[28]

The counter-insurgency strategy gradually returned to being less indiscriminate, if no less brutal. It introduced a tight set of controls on the rural population, which had to demonstrate active support for the state to escape further repression.

The contemporary policy terrain

Present-day Guatemala is complex and contradictory, shaped by legacies of violence and by the internationally brokered peace settlement. Guatemala is still suffering the impacts of the period of mass repression. The transition to democracy took place at a time (1985) when the

[27] Data from the United Nations Educational, Scientific and Cultural Organization (UNESCO), available from CEPALSTAT online, http://www.eclac.org/estadisticas (accessed on 10 March 2009).

[28] The population of Guatemala in 1980 was an estimated eight million inhabitants.

population had been brutalised and subjected to a regime of tight control and when civil and political society had been decimated. The period of mass mobilisation and voicing of claims and grievances (1978–82) was therefore followed by one characterised by fear, silence and disorganisation. This was not the most auspicious setting for the emergence of a new political system, and initially participation was low: many political actors were still in exile, only certain parties were allowed to register and compete in the elections (the revolutionary Left was included only after 1996) and the electoral register was in complete disarray, not least because mass displacement prevented large sectors of the rural population from registering. There has tended to be something of a disconnect between the political party system and the electorate, geographically, programmatically and ethnically. No political party has won more than one election since 1985. In such a system, party loyalty simply does not exist; during the 2002–08 administration, more than 40 per cent of deputies changed their party affiliation, a phenomenon that undermines accountability.

The political system appears ideologically bland, largely committed to neoliberal agendas, and paying lip service to notions of poverty reduction but failing to consider broader issues of vertical and/or horizontal inequality. This is due at least in part to the failure of the former guerrillas to set up an effective opposition party and is one of the key legacies of the war and repression. Although some improvements have been made over the years to the party system (registering and participation have been broadened), representative democracy on the whole has not been a success and the overall system appears deeply biased against policies that might modify HIs.

The high incidence of violent crime in post-war Guatemala has deeply affected the post-war settlement and democratisation processes, impacting negatively on the legitimacy of key state institutions such as the judiciary and the security forces. The failure to deliver a modicum of security in the post-war context has also facilitated the emergence of authoritarian discourses and actors promoting 'strong-arm' approaches to public security.

A notable break from the past, however, is a decline in domination of the political landscape by *ladino* actors and leaders, with indigenous actors gaining prominence in local politics and in social organisations. At the local level, the legacies of the war are acute. A whole generation of activist leaders bore the brunt of repression; a new set of leaders took over, this time cultivating links with the army and security forces (these new leaders often doubled as paramilitary commanders). Such close ties with the repressive state apparatus did not augur well for the promotion of agendas of change stemming from the local level, but the long-term legacy may be more positive than initially foreseen. There has been a definitive transfer of control over municipal authorities from *ladinos* to indigenous people, as illustrated by a dramatic rise in the number of indigenous mayors, which in the past three general elections has stabilised at around 35 per cent of the total. This is an achievement of sorts, but not one that automatically translates into pressure from below for progressive or HI-reducing agendas.

Social movements and organisations gradually re-emerged in the 1980s following the devastation caused by mass repression: first human rights organisations, then indigenous organisations, and finally some unions and peasant groups, which had started to reform by the end of that decade. Although more combative collective actions with regard to natural resources and the activities of the mining sector have occurred recently, overall there has been no return to the great participation and mobilisation of the late 1970s. One key development, however, is the emergence of Mayan organisations led by indigenous rather than *ladino* actors, which are active at the local and national level. As with the remainder of the social movement in Guatemala, the Mayan movement is fragmented, resource-poor, and clearly split between sectors that emphasise cultural recognition and those that stress distribution, with war-related alignment issues often underpinning divisions.

At present, it is difficult to gauge whether the revaluing of Mayan culture and identity, which is evident among important sectors of the Guatemalan indigenous population, will be sufficient to function as a driver of further change. This is because the general improvement in

the profile of Mayan actors has not been channelled in such a way as to challenge national political institutions (state and parties), which remain deeply *ladino*-dominated. The notion of *ladino* domination not only relates to the overwhelming physical presence of *ladinos* (mostly males) in these institutions, but also to some of the core values of the dominant *ladino* culture with respect to indigenous people. On the surface, some changes are in evidence, notably the adoption of multiculturalism as state ideology. First, the limitations of Guatemalan-style 'neoliberal multiculturalism' are now well recognised. For instance, multiculturalism led to state recognition of Mayan languages, which in turn led to the creation of an impressive Mayan language academy that employs prominent Mayan linguists. To date, however, this has not resulted in official recognition of any Mayan languages, meaning that access to public service is still extremely limited and daunting for those who speak only a Mayan language (typically poor indigenous women).

Second, the adoption of multiculturalism also means that most educated *ladinos* and public officials tend to express their opinions on indigenous people carefully: political correctness with regard to indigenous people has become *de rigueur.* However, the wider culture of racism and discrimination that has long underpinned *ladino* values remains largely in place, if less overtly than in the past.

At the state level, the adoption of multiculturalism is not leading to thorough changes: consideration of 'indigenous issues' remains largely marginal and quite separate from the important decision-making activities relating to running the country (defence, economy, finance). Indigenous issues and people tend to be associated with and confined to certain ministries (primarily culture and education). 'Indigenous affairs' offices have been created in most ministries, but these remain extremely small, understaffed and largely isolated from the mainstream functioning of the ministries. On the whole, indigenous people are slowly penetrating the *ladino* state and consciousness, but through a small side door that rapidly leads to an impasse.

In the 1990s, as the peace process started to unfold, an increasing number of international actors and multilateral agencies became actively involved in the negotiation process. Two distinct issues are worth highlighting in terms of the general shape of the policy terrain in post-war Guatemala. The first is the influence of external donors, especially during the peace negotiations. The peace settlement took the form of a series of broad agreements (with more than 300 provisions and articles in total) between the main contending forces, negotiated over a period of nine years. Reducing HIs, improving socioeconomic development, and expanding the political, economic, cultural and social rights of indigenous peoples became central components of the peace agreement. From the perspective of correcting HIs, the two most relevant accords were the Agreement on the Identity and Rights of Indigenous Peoples (1995) and the Agreement on Socio-economic Issues and the Agrarian Condition (1996). The latter established a set of relatively ambitious targets for tax collection, social spending and other variables, although it was vaguer on mechanisms to ensure their attainment. The peace accords provided a window of opportunity to design new policies to resolve HIs. In a recent review, Caumartin and Sanchez-Ancochea (forthcoming) argue that some positive change has taken place, that there has not been a reversion to the war-time *status quo ante,* and that the general trend seems to be an improvement in HIs. However, as the data in the opening section of this paper demonstrate, HIs remain prominent, by far the worst among CRISE case studies. Thus, while noting positive transformations, the accords seem to have failed to deliver lasting substantive change.

The wider decentralisation process has produced mixed results: some advances, but also significant shortcomings in terms of inequality and inefficiency. Education is illustrative: while literacy and years of education have improved—four times more rapidly for indigenous than for non-indigenous peoples between 1989 and 2006—other indicators, such as quality, desertion and asymmetry across regions, have advanced more slowly. There have been endless issues of misappropriation of funds and corruption at the municipal level and relations between citizens, municipal authorities and development councils have been extremely conflictive in

a number of departments (PNUD, 2005). Ultimately, decentralisation has happened slowly and has not opened up as many spaces as initially promised

In more general terms, however, there are substantial obstacles to the consolidation of change arising from the absence of policies to address structural issues (notably rural development and state revenues), stemming from the failure to rein in the power and influence of a particularly conservative economic elite. Unfortunately, these obstacles are likely to remain in place for the foreseeable future. As noted above, the external donor community does not entirely lack influence in Guatemala, but so far, there has been little sign of coordinated actions or plans to address HIs.

Policy challenges, priorities and possibilities

3

In assessing policy challenges, priorities and possibilities, this Overview focuses on four areas: i) the economy (above all, employment); ii) political institutions (including human rights and mediation mechanisms); iii) social policies (principally education and health); and iv) information.

As noted, in each of the three countries under review, policy discussion faces the reality of a lack of implementation ability, and in two cases, an unfavourable political climate. This study attempts to deal with the former by concentrating on deepening and accelerating *existing* instances of successfully equalising change. As for the latter, it outlines policy priorities, regardless of political opposition, as well as policies that can foster coalitions for progressive change in the future.

i) Policies for a diversified economy

CRISE research shows how the embedding of HIs over time has become rooted in cumulative processes that relate to the economy, geography and social and political structures. Leaving growth exclusively to the market, therefore, without counteracting its failings, can only rein-force such an accumulation of structures. Policies of active support for previously excluded sectors are needed, and the creation of economic opportunities is a crucial part of this. All three countries have economies based on natural resources, with extractives playing a major role in two of them. The binding structural constraint on improving the quality of economic growth, generating new jobs and reducing poverty pertains to diversification of actors and sectors in such an economy. The creation of urban and rural non-agricultural jobs is at the heart of efforts to modify HIs.

In Bolivia, and to a much lesser extent in Peru, there has been progress in this regard. Pockets of alternative growth have blossomed in recent years, based on new market niches linked to fair and organic food markets, but most importantly, connecting tradable and non-tradable sectors. In Bolivia, alternative pockets of growth comprised close to USD 500 million of exports in 2008 and nearly 300,000 producers engaged in agriculture, commerce, service provision and manufacturing to supply these pockets. Bolivia is the world leader in certification of natural tropical forests and is in the top 12 countries with the most organic agriculture, by surface area.

However, there are problems, most of which relate directly to CRISE findings on the nature and origins of HIs. These problems and their policy implications are broken down into three categories:

- first, such policies are difficult to sustain and develop in any poverty context;

- second, the particular context in evidence—resource abundance, a legacy of weak institutions, half-hearted and ineffective decentralisation, and a history of political violence and repression—is a grave handicap to the success of such policies; and

- third, behind these problems and characteristics is the need to build awareness of rights and capacities to act to acquire effective rights (implied in all of CRISE's work on discrimination and exclusion).

On examining the general difficulties associated with developing any kind of micro diversi-fication policy as an instrument to redress HIs, in a context of underdevelopment—the first category of problem area—this study notes that:

1. Even in Bolivia, alternative pockets of growth are still very small. These pockets need to reach a 'critical mass' for the labour-intensive aspects of growth and poverty reduction to take effect. This means finding ways of facilitating linkages between tradable and non-tradable economic actors ('completing the value chain'), as well as links among thousands of self-employed, informal sector players.

2. These activities are very risky. Public policy needs to support small and household enter-prises in managing risk. CRISE research on Bolivia reveals that an outcome of small enter-prises and households managing risk in isolation is the creation of ghettoes. On the one hand, this allows for the accumulation of assets and markets for impoverished and excluded groups. In addition, it transforms social and class relations in newly dynamic markets, raising the 'glass ceiling' for indigenous people and women. On the other hand, product and labour markets are then segmented in ways that usually do not favour ethnic econo-mies in the long run. Micro-credit is perhaps the most visible instance of this problem: often it is highly successful as a business, but relatively unsuccessful in upgrading skills, attract-ing new technologies, establishing innovations or achieving a critical mass in general. There is a costly absence of public policies to address this issue.

3. Public policy needs to support the participation of indigenous women. The single most important link between household-based economies and formal and informal small busi-nesses in dynamic pockets of growth in Bolivia is the participation of female labour. Currently, women of working age are caught between demand for more qualified and skilled labour in dynamic labour and product markets and the need to diversify risk at the household level. Most women, therefore, enter into part-time labour commitments that constrain their skills, earning power and specialisation potential. Policies that might support female labour participation are absent, such as those geared towards empowering female fertility decisions or supporting new mothers and women who take care of the elderly.

4. The danger is that the new activities will create 'new inequalities', including a tendency to reward the successful links of a value chain with credit, technical assistance and so on, and push the weakest links out of sight—usually the poorest rural and urban households connected to services and commerce along the value chain. Also of concern in this regard is the wage differential between informal self-employed businesses and formal sector workers, which tends to atomise the labour force into thousands of autonomous but non-skilled and non-specialised economic units.

The second category concerns problems of resource abundance, a legacy of weak institutions, half-hearted and ineffective decentralisation, and a history of political violence and repres-sion—mining, gas and oil dominate the political economies of Bolivia and Peru. Extractives have perverse effects on incentives at the macro, meso and micro level. The tendency of national and local elites is typically to misdirect revenues for short-term purposes, as in Bolivia and Peru—it is also happening in Guatemala but without nearly such a dramatic effect in terms of national resource allocation. This causes problems at the macro level through the exchange rate. Local institutions to spread the benefits of mining and to limit the damage are extremely underdeveloped due to the national legacy, and local protest voices are marginalised. This also causes problems at the regional and local level, when resources are 'ploughed back' too rap-idly, often for political reasons, and local structures cannot deal with the bonanza. Particular problems are:

- Governments accord priority to the containment of social movements to facilitate direct foreign investment in extractive industries, which does not solve the problem, but only postpones it.

- Over time, incentives work against the development of the instruments needed to diversify the economy. The present or the next boom always seems to remove the need to diversify.

- At present, in Peru, the transfer of resources from a tax on natural resource revenues to the local level appears to be *increasing* the likelihood of violence, as it is raising expectations in a context where institutions cannot use the new resources well.

- In Bolivia, the new natural resource motor is in a different region to previous booms. Resources are being transferred to new regional elites who do not fit with the traditional politics of accommodation. Political rivalries between these elites and the centre obstruct the building of nationwide coordinated programmes. In addition, the new natural resource—gas—lies partly in the territory of new 'indigenous autonomies', where the mechanisms of participation and accountability are not yet developed.

- The forces that account for the difficulties in achieving development at the local level through extractives also shape decentralisation. The latter is officially part of the peace accord policies of Guatemala. In Peru, decentralisation has been nominally important to each regime since 2000, and in Bolivia, since 1994, the Popular Participation Law has been one of the most ambitious attempts to empower society at the local level. However, decentralisation has encountered all of the predictable problems of local development just described.

- The legacy of political violence weakens decentralisation and hinders the development of alternative policies (see below for a more extensive discussion of the political consequences of violence). In Guatemala, and to some extent in Peru, we observed the damage caused by war to the development of alternative and progressive political parties. In Guatemala, the war affected indigenous activists' approach to the economy. Many felt that the Left's structural analysis was a route to deadly conflict: they prefer indigenous political activity to focus on cultural issues today. While these points are important, they do not make use of the synergies between cultural and social and economic reforms, and the fact that integrated micro policies as outlined above could strengthen the possibility of an alternative economy.

The third category concerns the level of awareness of rights and capacities to assert one's rights, a dimension that affects both of the previous categories. Here we highlight the importance of policies to strengthen:

- the abilities of local government to design and develop projects;

- the capacities of civil society groups to articulate needs, present projects and achieve improved levels of accountability and monitoring;

- consensus on 'the right' distribution of resources between the centre, the different regions and the different localities; and

- local actors, such as NGOs, which are often best suited to providing support to previously marginalised groups to enable them to take part in a wider programme of diversification.

ii) Political institutions

The three countries are at different stages in terms of the development of political institutions for human rights and conflict mediation and for promoting indigenous political participation:

a) Human rights and conflict mediation

The violence in Guatemala and Peru greatly enhanced the role and profile of human rights and conflict resolution institutions in the post-conflict era. In both countries, specific institutions were established and tasked with promoting and protecting human rights as well as conflict mediation, most prominently human rights ombudsmen offices. These institutions

have enjoyed a relatively high profile and high levels of legitimacy (in sharp contrast to wider judicial institutions) and have intervened successfully in a number of conflicts. They not only undertake important work on rights awareness but also provide peaceful channels for the investigation of grievances or abuses. However, questions remain regarding to what degree these institutions can and do serve the interests of the indigenous population. The specific rights of the indigenous population have not featured prominently in their work. In Peru, most of the activities of the ombudsman's office have been concentrated in Lima, with few resources in provincial areas and a general lack of skills in and knowledge of how to relate to rural indigenous communities. In Guatemala, there have been notable efforts to decentralise offices and a specific indigenous rights ombudsman office has been set up. The latter, though, has a very limited mandate, is poorly funded, and lacks autonomy vis-à-vis the dominant ombudsman's office. In addition, relations between the two offices can be tense owing to a general lack of knowledge of and sensitivity to indigenous rights, people and issues, indicating how easily progressive policies can be undermined when implemented in a context where racism and prejudice remain prevalent.

The policy agenda for both Guatemala and Peru thus needs to strengthen the decentralisation of such institutions as well as knowledge and understanding of indigenous rights, among staff and the public. In Guatemala, it is noticeable that public opinion can be easily persuaded to disapprove of human rights initiatives because they seemingly sanction the freeing of the guilty, in the shape of young delinquents. In Guatemala and Peru, there is often an unwillingness to confront issues of ethnic inequality, sometimes because of fear. In both countries, the media, which is largely in private and frequently extremely conservative hands, tends to play a critical role. In Guatemala, derogatory stereotypes still abound and the national media tends to adopt a very negative stance towards indigenous issues and rights.

Finally, in Bolivia, there are few initiatives dealing specifically with conflict resolution issues. The shift in the balance of conflicting interests and the balance of power needs to be consciously viewed as a threat, to give much needed impetus to the development of consensus-building institutions. In other areas, the new constitution grants unprecedented prominence to indigenous rights and customary law. However, the justice system faces the immense challenge of linking communitarian justice with republican law based mainly on Napoleonic and Spanish legal systems. This will require innovative institutional designs for the newly created Supreme Tribunal of Justice (replacing the current Supreme Court), the Tribunal Constitucional Plurinacional (replacing the Constitutional Tribunal)—which will comprise judges from the republican legal system and from the communitarian system—and the Consejo de la Magistratura. It will also demand a complex revision of laws, legal codes and procedures. Outside assistance could contribute by facilitating learning from other contexts outside of Latin America.

In all areas of political reform, the key to making such reforms sustainable is enabling those on the margin to increase their capacity to participate and articulate their agenda. As with all of our recommendations, policy needs to consider: 1) the specific instruments that have to be created/strengthened and monitored; and 2) the target population and its need for capabilities, including a 'voice'. Our human rights policy recommendations thus underline, *inter alia,* the importance of supporting civil society organisations whose principal function is to assist groups long repressed, in understanding and effectively claiming their rights.

b) Other political institutions

The policy implications are highly context-specific in this area, and one needs to take each case in turn. In Bolivia, rapid and extensive institutional design and change driven by the mandate of the new constitution will mark the next decade. The changes introduced imply a vast reform agenda that touches on almost every aspect of state institutions and rules. It is necessary to prioritise certain topics based on their intrinsic importance as well as their potential as a source of ethnic conflict.

The first such example is the Electoral Court. Reversal of the tradition of electoral fraud started with the reform of the electoral body in the early 1990s. Due to this reform, it became a modern, technical institution independent of political parties and other branches of government—with its members appointed by Congress through a public competition, with the requirement of no political affiliation. Under the new constitution, two members of the electoral board must be appointed via a quota system for indigenous people. However, there is much to be done, both to protect the integrity of the Electoral Court and to make real the impact on HIs.[29] Thus, transparent mechanisms must be designed and agreed with indigenous groups to prevent the common problems of affirmative action programmes. A further challenge concerns the design of electoral contests within the newly created indigenous autonomies. Although the autonomies were established precisely to allow authorities to be elected via traditional mechanisms, these must now be legislated and mechanisms to oversee these elections must be designed.

The second example also pertains to indigenous autonomies, the vehicle constructed by the Constitutive Assembly to grant more participation to indigenous areas. The notion of 'autonomy' refers to the way in which decentralisation is to work: regional autonomies have been at the core of political conflict over the past five years (in the case of Santa Cruz (Bolivia) the struggle for decentralisation has lasted longer). Indigenous autonomy is an idea that emerged in the Constitutive Assembly and it involves similar functions and rights. Two key aspects are bound to generate important conflicts: 1) the functions, responsibilities and rights of these autonomies vis-à-vis regional and municipal autonomies; and 2) ownership of natural resources, a particularly thorny matter in the gas-producing departments, as most gas fields lie in the middle of the proposed indigenous autonomies. Careful implementation and detailed design will be required in both areas if the original goals are to be achieved.

In Guatemala, large sections of the peace accords proposed to give more prominence to indigenous rights, but the process of institutionalising and implementing these changes has been disappointing. Other more indirect policies, however, have met with more success, notably through a process of decentralisation and reform of municipal codes, which makes official the role of indigenous community leaders. When combined with the consistently good record of indigenous representation in local elections, these various elements work to increase indigenous power at the local level. A crucial point is to establish linkages between progress at the local level and broader national-level politics.

Furthermore, while constitutional or political party system changes appear unlikely now, improvements in electoral procedures have had a marked impact. On the one hand, the registration process for voting has been made easier and the electoral register continues to be improved. On the other hand, hundreds of voting centres have been set up in remote rural areas, thus greatly enhancing access to electoral participation by rural dwellers. Indeed, in 2000, for the first time in Guatemala's history, rural votes (rather than votes in the capital city) were the determining factor in a presidential election. While so far there is little sign of further change in national-level politics, it is nevertheless clear that reinforcement of such indirect policies should be a central policy recommendation.

In Peru, indigenous participation in national and local politics needs to be stimulated and protected, perhaps by quotas, and by more serious monitoring and education to prevent abuse and fraud. Indirect but important measures might include strengthening the enforcement of the democratic practices of political parties, during and after elections. The electoral weight of Lima as a single electoral unit is an issue that needs to be addressed. In addition, ways to achieve a plurality of voices on local and regional councils need to be explored, perhaps through proportional representation.

iii) Social policies

The limitations on policy change outlined above in relation to economic policy also apply to the formulation and implementation of social policy. Moreover, expansion of economic oppor-

[29] Recently, political deadlock in Congress and constant conflicts between the government and the Electoral Court have resulted in most of its members resigning and the court functioning with a minimum number of members (most of whom have been appointed by the current government). This has led to important questions being raised regarding the impartiality of the court. Moreover, the overall political conflict between the regions and the central government has generated specific conflicts between the national and regional levels of the electoral body. Thus, an important task is to regain the confidence of society at large by regaining the independence of the Electoral Court.

tunities is also central to the success of conventional social policy. In the first place, economic opportunities, social relations and the ability to express views and claim one's rights all form part of well-being. Second, educating people alone, without facilitating economic and social opportunities, limits returns to education and its potential to offer a path out of poverty and inequality, while also leading to out-migration. Thus, even with increased provision of education, a deprived region will never start to supply its own teachers and viable civil service personnel to staff local government, since a significant percentage of the more educated migrate, and the process does not become self-sustaining. Similar circumstances apply in the sphere of health policy.

In all three cases, but especially in Guatemala and Peru, the most important agenda item appears to be to confront the discrimination and prejudice that produce dysfunctional and unequal attitudes and practices. This requires leadership at all levels and publicising of instances of success and failure. Serious attention needs to be paid to training staff in increasing awareness of the relevance and dangers of discriminatory practices. Discriminatory behaviour also requires monitoring, since special interests and prejudice can manipulate the political system. Such monitoring could occur by strengthening existing institutions, such as the ombudsman offices in Guatemala and Peru, which could be given explicit and strong responsibilities in the social area, backed by resources and staff, including, and especially, in remote areas. Reinforcement of the ombudsman's role requires leadership and capacity-building at all levels. The local offices of the Defensoría del Pueblo, especially in the most deprived regions, also need reinforcement, necessitating significant incentives for young people with skills to spend time there. In Peru, the 'mesas de lucha contra la pobreza' (roundtables to combat poverty) have achieved a degree of legitimacy, which could be reinforced as a means of monitoring practice and celebrating success.

The confronting of prejudice and discrimination requires leadership at all levels, continual reinforcement through the kind of institutional reform described, and publicising of instances of success. One such example is the adult literacy programme in Peru, a rare experiment launched in 2001 under the transition government of Valentín Paniagua. Previous adult literacy programmes in Peru had proved a disaster, culminating in Fujimori's rejection of NGOs and mobilisation of the army. Gifts of food were offered to get people to class, and data were manipulated in order to claim a fall in illiteracy from 12 per cent in 1993 to 8.7 per cent in 1998. This was the basis on which Peru was awarded the Korean 'King Sejong' prize by the United Nations Educational, Scientific and Cultural Organization (UNESCO), handed over on World Literacy Day in 1999 (Portugal, 2004, p. 7). Paniagua's transition government exposed the fraud and adopted a radically different approach, initiating a simple programme developed by NGOs and based on self-help, empowerment and employment of local people. Communities chose their own class leader from among themselves; the classes drew on people's life experience, 'displacing teaching with dead words' (Portugal, 2004, p. 22). No food or other in-kind benefits were provided, yet people flocked to the classes. An NGO evaluation after a few months rated the programme, based on the testimonies of the participants, a success in terms of enthusiasm and empowerment. Portugal (2004, p. 99) recounts a poignant story of a 60-year-old indigenous shepherdess who was persuaded to take part in a very simple game in which the leader calls out 'the people command that . . .' and all participants obey the order. On taking her turn as leader, she burst into tears. When asked why she was crying, she replied, 'I've never been in charge of anything before and no one has ever paid attention to me. Only my sheep obey me . . .'. Highlighting such stories is a powerful means of changing attitudes.

An area of prime importance in terms of education reform is inter-cultural education. Bolivia has made most progress in multicultural education, but the real challenges of *inter*-cultural education[30] are not yet being addressed. CRISE research found that, while bilingual education has made advances, there have not been the necessary changes in attitudes among teachers needed to implement true inter-cultural education.

iv) Information: ethnic composition of the population

A recurring theme in CRISE findings concerns the fluidity and ambiguity of the definition of ethnicity. This issue needs to be resolved in census data. Designing key institutions with overrepresentation of indigenous people may result in new HIs and generate further ethnic tensions instead of advancing the idea of a multicultural state. In addition, it may result in inoperative institutions that contribute to the frustration of indigenous groups that pin their hopes on these reforms ending a long history of political and cultural HIs at the institutional level. Questions on ethnic identities that will form part of forthcoming censuses must be fully discussed in the body politic and amended in order to capture wider and more accurate figures on the ethnic composition of the country, on which any reforms will be based. Once consensus is reached on ethnic identity, it will be important to review both the household surveys and the census questions with regard to their ability to evaluate progress or the lack of it in addressing HIs.

4 Conclusion

Horizontal inequalities—political, social, economic and cultural—are deeply embedded in two of the three countries under review, Guatemala and Peru, and have played a significant role in terrible political violence. They remain severe; indeed, political HIs have worsened in some respects with the legacy of violence and repression. In the third country, Bolivia, an exceptional set of political and geographical circumstances led to a kind of political accommodation that has prevented widespread violence and resulted in a genuine improvement in political HIs. In addition, social and economic inequalities have improved in ethnic terms, reappearing as intra-group or 'vertical' inequality, which is less threatening to peace and stability.

This *Overview* has emphasised the urgent need to act on HIs in Guatemala and Peru, and the need to strengthen areas of fragility in the case of the impressive reforms of Bolivia. It underscores the need to link social and economic policies and institutional change, since inequality is so deeply embedded that such complementarity is essential. The legacy of divergent pathways of economic and social progress means that, today, strong policies are required to influence or counteract the workings of the market. This study stresses in particular the regional dimension of this complementarity.

The study argues too that informal institutions are crucial—above all to combat the reality of discrimination and prejudice, conditioning social policy and institutional functioning at every level. This is the most difficult aspect, necessitating forceful political leadership and commitment.

Finally, the research shows how much institutional change has already occurred in all three countries, and can now be built on. There are even signs of progress in attitudes, although more so in Guatemala than in Peru. If success stories can be communicated and celebrated, cumulative progress can be fostered.

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'. . . simple inequality between rich and poor is not enough to cause violent conflict. What is highly explosive is . . . horizontal inequality: when power and resources are unequally distributed between groups that are also differentiated in other ways – for instance by race, religion or language.' Kofi Annan

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Set up in 2003 under the direction of Professor Frances Stewart, CRISE aims to investigate the relationships between ethnicity, inequality and conflict in order to identify policies that will promote peace.

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