



## Political Institutions, Policymaking Processes and Policy Outcomes

### Registration Form

1. Name of institution:
2. Name of the participants:
  - Project Director:
  - Researcher 1:
  - Researcher 2:
  - Researcher 3:
3. Name, title, phone number and e-mail of the person responsible for signing the letter of agreement with the Bank:
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4. Does the proposal include the following? (Please check in the appropriate space):
  - A preliminary description of the political and policymaking process in the country, as well as hypotheses and a detailed discussion of the data and the methodology to be used:
  - Background of the researchers involved:
  - Curriculum vitae of the researchers (3 pages. maximum):
  - Detailed outline of the budget indicating the time and resources that will be used during course of the research work plan:
5. Is an original copy of the proposal enclosed? Pages should be numbered:

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**Political Institutions, Policymaking Processes, and Policy Outcomes:  
A Proposal for the Study of Ecuador**

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This study will explain the main characteristics of Ecuadorian public policies using the general framework presented in Spiller and Tommasi (2003), and in the Design Papers 1 and 2. Ecuadorian policies present two problematic features: volatility (sensitivity to political shocks) and slow adaptability (delayed response to exogenous economic shocks). These are partly the result of a policymaking process that includes a large number of veto players operating under short-term horizons. In accordance with the Terms of Reference, we will focus the first section of this proposal on three issues: 1) the characterization of public policies in Ecuador; 2) Ecuador's Political Institutions; and 3) The Workings of the Ecuadorian Policymaking Process. In the second section we discuss the research design and schedule for the project.

**1. Research Focus**

**1.1 Public Policies in Ecuador**

This section offers a preliminary description of the features of public policy in Ecuador. First, we present an example that illustrates some of the difficulties to implement policies that involve inter temporal commitments—the attempts to “dollarize” the economy in 1997 and 2000. Next, we include a brief description of the country's policies, along the dimensions suggested in DP1 and DP2.

**From Convertibility to Dollarisation**

By mid 1996, when President Abdalá Bucaram took office, annual inflation was 24%, growth was a meager 2%, and an estimated 45% of the budget for the next year would be servicing foreign debt. Despite the populist overtones of his campaign, Bucaram proposed a plan—partly designed by former Argentine minister Domingo Cavallo—intended to fix the sucre to the dollar. While congress debated on the issue, an alliance of indigenous leaders, trade unions, and social movements called for mobilization against the program on the basis that the convertibility plan was too harsh a measure given that the crisis was not perceived to be severe, and that Bucaram and his team would lack the fiscal discipline to implement such program. On February 5-6, 1997, about two million people took the streets, including the middle class dissatisfied with Bucaram's flamboyant style and corrupt politics. The march ended in front of congress and demanded the impeachment of the president. Lacking a two-third supermajority, the congressional opposition declared Bucaram “mentally incapable” to rule and appointed Speaker Fabián Alarcón as interim president. Bucaram rejected the decision as a coup and flew to exile in Panama. His convertibility program was quickly forgotten.

Two years later, when the newly elected president Jamil Mahuad took office, the situation was deteriorating. Inflation was at 36%, growth was nil, and the sucre had lost more than 70% of its value in 24 months. There was a dramatic fall in international oil prices, thus putting additional pressures on the fiscal balance. The economic conditions did not improve over the following year, even though the

government imposed a tax on all financial transactions and adopted a policy of unlimited deposit guarantees. “The Central Bank lost close to 30 percent of reserves and monetary deposits fell 24% within 30 days after the law was approved” (Arteta and Hurtado 2002, 21). In the midst of an economic crash that included a collapse of the exchange rate, the freezing of bank accounts, and a moratorium on foreign debt, President Jamil Mahuad eventually proposed a full “dollarisation” plan to stabilize the economy. As in 1997, a broad social coalition composed by indigenous leaders, some business leaders and the military opposed the measures and called for a popular uprising. But this time the legislative conditions for impeachment were uncertain. On January 21, 2000, a rebel alliance of indigenous and middle-rank military officers took over the congress building and overthrew the president. Ecuador narrowly avoided the establishment of a military junta only because the joint command refused to take over and handed power to the vice president. In the aftermath of this crisis, President Gustavo Noboa adopted and implemented the same dollarisation program that overthrew his predecessor.

### **The “Outer Features” of Public Policies in Ecuador**

The fall of presidents Bucaram and Mahuad illustrates in a very dramatic way the two key features of public policies in Ecuador: extreme vulnerability to political shocks combined with a slow capacity to respond to “substantive” (i.e., social, environmental, and economic) exogenous shocks. In this section we offer an overview of these features and their consequences for the Ecuadorian economy.

*Vulnerability of public policy to political shocks.* For the most part, Ecuadorian policymakers have operated under short-term horizons and have been unwilling to enforce policies with “investment-like” inter temporal properties (DP1). The reasons for this behavior will be explored in the following section. The lack of long-term horizons has made public policy very sensitive to different political shocks. For instance, electoral campaigns have regularly encouraged greater spending (Araujo 1998b, 118). Popular protests, combined with the constitutional powers of congress to censure ministers (until 1998), have produced a high turnover of key officials in office. Between 1979 and 1998, the average Minister of Finance lasted in office 336 days, the average Director of the Central Bank, 533 days, and the average Chair of the Monetary Board, 408 days (Araujo 1998b, 120). According to Arteta and Hurtado (2002), between 1995 and 1999 the country altered the system of exchange rate bands nine times before floating the sucre in 1999 and fully polarizing in 2000. Over the last two and half decades, the country negotiated nine Letters of Intent and signed seven agreements—only three fulfilled—with the IMF. Arteta and Hurtado have also showed a high correlation (.78) between the average tenure of ministers in office and the average growth rate during seven administrations (Arteta and Hurtado 2002, 38). At the extremes, popular protest, coupled with military pressures, interest groups and congressional action, forced the collapse of the government, as in the cases of Bucaram and Mahuad.

*Slow response to exogenous shocks.* Institutional rigidities have delayed the adjustment of public policies in response to social, environmental, and economic shocks. Over the last 25 years, exogenous shocks have included the debt crisis, episodes of war, floods, an earthquake, the 1999 banking crisis (that absorbed 20% of the GDP), and intermittent fluctuation in oil prices. The main positive shock was the rise in oil prices in the early 1970s, which allowed for a growth rate of 25% in 1973 (the oil sector grew 266% that year). The main negative shock was the debt crisis of 1982.<sup>1</sup> According to

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<sup>1</sup> Oil revenues can also be an important source of fiscal imbalance, when earthquakes or international markets affect the production and revenues of oil. Despite permanent debates about its necessity, a Fund for Stabilizing Oil Revenues was established until 2001.

Araujo (1998), between 1982 and 1997, five different administrations adopted 195 policy measures to correct the country's economic imbalances.

Ecuador is sometimes portrayed as a case of "muddling through" economic adjustment during more than two decades (Grindle and Thoumi 1993), with perhaps more failures than successes. Since its transition to democracy in 1979, Ecuador has avoided hyperinflation (that plagued other countries at the end of the 80's), allowed for more flexible labor code reforms (1989), passed some modernization laws (1994-5), approved significant tax (1998) and banking (1999) reforms and adopted a full dollarisation scheme (2000) that completely restructured the profile of the Ecuadorian economy. While these reforms may not be impressive compared to adjustment experiences in neighboring Latin American countries, taken together they provide some lessons about adjustment over "the long haul" in a contentious political environment (Grindle and Thoumi 1993, 123).

However, several factors have hampered the adaptive capacity of the policymaking process. First, no party has ever commanded a majority in congress and a permanent situation of divided government has limited the decisiveness of all administrations. Second, public expenditures have been rigid because the president and the legislators face a common pool resource problem. Legislators have been eager to increase public transfers to friendly institutions (a 45% average increase to the president's budget in 1991-97), to create new municipalities (their number grew by 70% in the last two decades), and to pass laws increasing public expenditures without establishing new sources of revenue (despite a constitutional restriction in this regard). Finally, constituency influence has been strong enough to block key policies. In some cases, special interests have operated through congress or the Constitutional Court. In others, like in the case of Bucaram discussed above, popular mobilization blocked the adoption of major reforms.

The mix of political volatility and substantive rigidity contributed to poor economic performance in Ecuador. The country's per capita income was 3,130 (measured in PPP dollars) in 2002. According to Arteta and Hurtado, the country has been an "underachiever" given its natural resource endowment (Arteta and Hurtado 2002). In the opinion of international businessmen, legal or political changes in Ecuador severely undermine the firms' planning capacities. Only two countries (Venezuela and Zimbabwe) have a poorer business environment than Ecuador. The Ecuadorian State is also seen as a weak enforcer of tax policies. Public spending is viewed by the private sector as one of the worse useful, faring better only to Paraguay and Zimbabwe. Ecuador is also judged as having poorly developed and inefficient infrastructure. Only three Latin American countries (Honduras, Nicaragua, and Bolivia) are seen as having a poorer or more inefficient infrastructure. Public schools in Ecuador also rank very low in international comparison (only better in Latin America than those in Honduras, Venezuela, Bolivia, and Nicaragua). Asked about the expected exchange rate volatility in February-April 2001, international businessmen answered they believed it would be very stable—but this was only after the country adopted a highly rigid policy (dollarisation) to signal commitment (Global Competitiveness Report).

## **1.2. Ecuador's Institutions: Fragmentation and Changing Arrangements**

Spiller and Tommasi (2003) argue that the outer features of public policies are shaped by the rules of the political game under which political transactions take place. Ecuador constitutes an extraordinary "test bank" for institutional theories of policymaking because the country has experimented with a whole range of institutional arrangements over time. In the 25 years since the transition to democracy

in 1978, the country has adopted two constitutions (1979 and 1998) and introduced a number of significant institutional reforms (in 1983-84, 1994-95, and 1997-98). In this section we provide a brief discussion of the institutional factors that lie behind the workings of the policymaking process and their transformations over the last two-and-half decades.

*The Executive Branch.* Under the current constitution, the Ecuadorian president is elected every four years and presidential reelection is allowed only after one period out of office. A runoff election takes place between the two top candidates if no contender obtains a majority of the popular vote or 40 percent plus a ten-point distance from the runner-up. Under the 1979 constitution, the presidential term lasted for five years; the 1983 amendment shortened the term to four years and the 1998 constitution incorporated the forty-plus-ten-percent gap rule. No president since 1979 has been elected in the first electoral round.

Shugart and Carey have described the Ecuadorian president as among the most powerful in terms of legislative powers and as intermediate in terms of non-legislative powers—the latter because congress could censure cabinet ministers (Shugart and Carey 1992, 156). The 1983 constitutional reform gave the president proactive powers in the form of fast-track economic lawmaking: an “urgent” economic bill introduced by the president becomes the reversionary policy if congress fails to act within thirty days (the original period of two weeks was doubled in 1998). The Ecuadorian president also has strong reactive powers. A partial veto must be overridden by congress within 30 days with a two-third supermajority, and the use of package veto prevents congress from addressing the bill in question for one year. The executive has exclusive initiation over taxation bills, budgets, and policies altering the territorial division of the country.

In contrast, the Ecuadorian president has traditionally enjoyed very weak “partisan powers” (Mainwaring and Shugart 1997). Presidential and legislative elections are concurrent (every four years) under the 1998 constitution and were originally concurrent (every five years) under the 1979 constitution, but the 1983 reform established mid-term elections to renew more than 80% of congress every two years. Although the 1979 legislative election was simultaneous with the presidential runoff, in every subsequent general election the congressional race has coincided with the first round of the presidential contest (Mejía Acosta 2002, 80).

The combination of runoff presidential elections (which encourage the proliferation of candidates in the first round), midterm congressional elections, and proportional representation (discussed below), allowed for a large number of legislative parties and condemned the president to have small legislative contingents (Conaghan 1994). On average, the president’s party has controlled only 26 percent of the seats since 1979. No president has commanded a single-party majority in congress, and the ruling party has enjoyed a plurality of the seats during just eleven years over the last two-and-half decades. The low levels of party discipline discussed below have aggravated this perennial situation of divided government.

*Cabinets.* For the most part, presidents have been unable to use cabinet portfolios as an effective resource to overcome weak partisan powers. A study of five administrations between 1979 and 1998 showed that on average only 11 percent of the cabinet positions during each term were devoted to reward other parties in the president’s legislative coalition. Most of the cabinet positions were not even taken by members of the president’s party, but by “independents” that headed on average 65% of the ministries (Burbano de Lara and Rowland García 1998, chapter 5). This trend towards cabinet isolation was more marked among right-wing governments: 79 percent of the ministers in the Febres

Cordero and the Durán Ballén administrations were independents, and only 9 percent of the portfolios were devoted to congressional allies. The exclusion of the congressional parties from the cabinet has encouraged the use of legislative censure as a political weapon: during the first two decades of democracy, 22% of the ministers were subject to a confidence vote and 10% were effectively censured. Between 1979 and 1996 the average tenure in office for finance and oil ministers was one year (Burbano de Lara and Rowland García 1998). As explained above, this high cabinet instability had a perverse impact on the president's economic policy-making ability.

*Congress.* Ecuador has a unicameral congress formed by 100 deputies elected from 22 multi-member districts. Until 1998, deputies were elected under a closed-list system of proportional representation but the 1998 constitution adopted an open-list procedure. Candidates now compete against other parties as much as against other members of their own party (Pachano 1998).<sup>2</sup> Although the effects of the new electoral system are not evident yet, the open-list PR combined with relatively large districts (the average district magnitude is 4.5) is expected to increase the incentives to cultivate the “personal vote” (Carey and Shugart 1995; Hallerberg and Marier 2002) in a system with an already preexisting tradition of strong local and patronage politics (Conaghan 1995).<sup>3</sup>

Legislative reelection was banned under the 1979 constitution. This prohibition shortened the political careers of legislators and considerably undermined their incentives for good policy making (Mejía Acosta 2003). Reelection was eventually allowed by the 1994 reform, but it has remained relatively low. Our preliminary analysis indicates that, since 1996, on average 27 percent of the legislators have achieved immediate reelection and about 52 percent of the legislators have some prior legislative experience. These figures lie somewhere between the cases of Argentina (where immediate reelection is 20 percent) and Brazil (43%), and way below Chile (59%) or the U.S. (83%), suggesting that Ecuador may be a case of “amateur legislators” progressively developing legislative careers (Jones et al. 2002; Morgenstern 2002, 416).

*Political Parties.* The Ecuadorian party system is highly fragmented and has conventionally been described as “inchoate” (Mainwaring and Scully 1995). The mean effective number of parties in congress has been 5.3 for 1979-2002 (Laakso and Taagepera 1979). The main organizations have been the Partido Social Cristiano (PSC, right), the Partido Roldosista Ecuatoriano (PRE, populist), the Democracia Popular (DP, center), the Izquierda Democrática (ID, center-left), and increasingly the Movimiento Pachakutik-Nuevo País (MUPP, left). Despite reforms aimed to that effect, traditional parties in Ecuador do not have a national presence (Jones and Mainwaring 2003) but have developed clear regional bailiwicks (Pachano and Pizarro 2002). The city of Guayaquil and the Coastal area mostly “belong” to the PSC and the PRE, while Quito and the Highlands tend to concentrate the vote for the ID, DP, and Pachakutik (Mejía Acosta 2002, 109-110). In spite of these regional alignments, party loyalty has been low among both politicians and voters. On average, 10 percent of the members of congress have switched parties every year between 1979 and 2002. After noting that an average 44 percent of the voters switched parties from one presidential election to the next in 1979-92, Conaghan

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<sup>2</sup> Under the electoral law approved in March of 2000, voters select individual members from party lists and each party pools the votes obtained by individual candidates. The total sum of votes obtained by the parties determines the distribution of seats according to the d'Hondt formula. In turn, seats are distributed within each party according to the number of votes obtained by the candidates. One line of research suggests that the same electoral system has generated low party discipline and policymaking paralysis in Brazil, see (Ames 2001; Mainwaring and Pérez-Liñán 1997).

<sup>3</sup> Between 1979 and 1996, congressional seats were allocated using the largest remainders Hare system; the country later adopted the d'Hondt procedure but this technical change has not had any significant impact on the party system (Jones 1995, 152; Mejía Acosta 2002, 64-65).



described the Ecuadorian system as one of “floating politicians and floating voters” (Conaghan 1995, 450).

*Local Government.* Ecuador is a unitary country divided into 22 provinces and 214 municipalities. The provinces are ruled by a governor (appointed by the president and head of the national bureaucracy in the district), a prefect (popularly elected every four years and head of the local government), and a Provincial Council (half of its members plus one are directly elected and the rest are appointed by the municipal councils). Municipalities (cantones) are ruled by a mayor and a municipal council, both elected every four years. In 1993, congress enacted a law to transfer 15% of all tax revenues to the local governments. Between 1996 and 1998, a series of decentralization laws were approved to allow municipal governments to assume responsibility for most administrative functions with the exception of national security, foreign affairs, taxation, and foreign loans. Local governments must request the devolution of specific functions on a case-by-case basis, and to this moment only few functions have been transferred—mostly in the areas of education, transportation, and environmental protection (Jaramillo 2002). Central transfers to local governments are based on a relatively rigid formula that contemplates the size of the population, poverty levels, the fiscal revenue levied in the district, and the number of functions devolved to the government. The constitution has banned discretionary transfers except in cases of natural catastrophes. Provinces do not have powers to borrow money or issue debt on their own, but only through the national government.

*The Judiciary.* The judicial system is composed by a 31-member Supreme Court, a Constitutional Tribunal, the Judicial Council (Consejo Nacional de la Judicatura), the superior courts, and the judges (juzgados). Supreme Court justices are appointed by the existing Court members by a two-third majority and have life tenure in office. The Supreme Court selects the members of superior courts, and they in turn appoint lower-level judges. The Constitutional Tribunal has nine members appointed by the congress for four-year terms. The Tribunal not only exercises judicial review over laws, but also decides on *amparo* writs (petitions intended to summarily block government action in any policy area). The Judicial Council, the main administrative body, is formed by eight members (four appointed by the Supreme Court, two by the judges, and two by law schools and bar associations) elected for six years. Reelection is allowed in all cases.

Judicial institutions have been progressively reformed to insulate the judges from political pressure. Until 1998, the members of the Supreme Court were appointed by a two-third majority in congress (the president could nominate candidates but had no direct role in the process). The 1996 reform created the Judicial Council and expanded the terms of the Constitutional Tribunal from two to four years. The consequences of these reforms are still unclear. On one hand, the new system has reduced the incentives for strategic behavior in the Supreme Court (Helmke 2002; Iaryczower, Spiller, and Tommasi 2002) and clearly separated constitutional issues from technical appeals (*casación*). On the other, increasing judicial insulation has severed the mechanisms of horizontal accountability. Because the position of the median Justice has historically approached the PSC (Partido Social Cristiano), there is a high potential for the politicization of non-constitutional cases against PSC adversaries. At the same time, the Constitutional Tribunal has played a growing policy-making role. Until 1996, the Tribunal was mostly a consultative body serving congress (until 1992) or the Supreme Court (until 1996). Since 1996, the Tribunal exercises independent judicial review and has played a significant role. For example, in 2001 the congressional opposition—too weak to override a presidential veto—used the Constitutional Tribunal to defeat an increase in the value-added tax (Arteta and Hurtado 2002, 40).

### 1.3. The Workings of the Ecuadorian Policymaking Process

Given this institutional context, the Ecuadorian policymaking process is characterized by four features: 1) a large number of veto players with short-term horizons; 2) responsibility for policymaking (responding to substantive shocks) falls into the president's office; 3) the executive branch employs compensatory mechanisms to overcome legislative fragmentation, yet 4) "last ditch" veto players (in the form of popular protests or judicial decisions) may block the implementation of policies.

1) The political and geographic fragmentation of Ecuadorian politics has translated over the policy arena. Legislative parties, having "lost their programmatic function" and lacking technical capacity and political experience to amend policy, have turned to conflict politics by vetoing presidential initiatives, impeaching cabinet ministers, or making clientelistic demands in exchange of votes (Conaghan 1995). Burbano and Rowland have argued that political parties are "marginal" in the design of new policies (Burbano de Lara and Rowland García 1998, 98).

2) Over time, Presidents have been constitutionally empowered to centralize decision-making resources, have exclusive control over cabinet and sub-cabinet appointments and dismantle any (potential) political opposition in Congress through the use of agenda setting powers (veto, decree) and distribution of pork and patronage (discretionary spending available until 1994). However, a closer look at the policy-making process suggests that the use of decree powers has been exaggerated by the relevant literature: while 75% of economic reform bills submitted by decree were approved by congress, presidents only decreed economic legislation in 35% of all cases between 1979-2003 (N=277).

3) More often than not, presidents form legislative coalitions around their policies as long as they can provide legislative agents with short-term incentives for collaboration. In a context where presidents or party leaders do not control the political careers of legislators (see above), they use three main strategies for coalition making:

3.1. Dealing with party leaders as coalition brokers. When asked why he insisted on sustaining his alliance with the controversial PSC right despite widespread criticism, President Jamil Mahuad responded that the Social Christian leader was the only one who could *offer* and *deliver* disciplined party support to push his reforms. In exchange for support, party leaders normally demand policy concessions to protect or benefit their regional constituencies or supporting interest groups. For example, the PSC lent support to the Mahuad administration as long as it did not touch the Customs administration (a strong source of patronage in the Coastal bailiwicks) or pushed for banking reforms (critical for the PSC's upper-class supporters). Parties like the Izquierda Democrática or the Democracia Popular, in contrast, would negotiate concessions for their Highland-middle class constituents (e.g., taxing luxury automobiles). Pachakutik would trade support for protection to its indigenous constituents (e.g., the freezing of cooking gas prices).

The logrolling strategy has clear limits because any kind of visible agreement with the president may be a liability for the cooperating parties (being labeled "gobiernista" is considered to be an insult in Ecuador). As a consequence, "ghost coalitions" tend to emerge. Several accounts of policymaking acknowledge that secret agreements take place under a curtain of public criticism

against the president intended to maintain the "political chastity" of the opposition (Grindle and Thoumi 1993; Mills 1984).

3.2. Delivering Pork and Patronage. A second type of legislative agents, particularly in the PRE and other parties like the MPD, are more directly accountable to (or dependent upon) a localized electorate. To further their political ambitions, these legislators must keep their clientele alive. Thus they demand more specific, particularistic goods with some kind of patronage attached (government transfers to their provinces, road construction, etc.).

3.3. Dealing with Legislative Mavericks. Legislative agents with greater electoral uncertainty, little job security and poorer political connections are more interested in overt rent seeking. These free-floating legislators are sometimes pivotal actors that make or break a coalition. They tend to come from the smaller districts and from small parties with vague ideologies. Contradicting the common characterization of the Ecuadorian legislator, these mavericks only account for about 10% of all congress members. They represent a last and expensive recourse, since it would be less efficient for presidents to try to buy supermajorities through individual vote buying (Groseclose and Snyder 1996).

4) The long and costly process of ad-hoc coalition building does not always guarantee policy implementation. Popular protest may undo policy coalitions, force the resignation of key ministers, or even lead to the collapse of an administration. At the same time, institutional weakness allows interest groups to capture key policy domains and institutional spaces. Rather than being an enforcer of inter temporal agreements, the Constitutional Tribunal may act as a last-ditch veto player through judicial review and decisions on *amparo* writs.

### **Institutions and the Workings of the Policymaking Processes**

The policymaking process described above has resulted from the interaction of historical and geographic conditions with the institutional features outlined in Section 1.2:

- The historical division of the country into two strong ("coastal" and "highland") regional cultures has encouraged the formation of local identities and territorially based constituencies. Coupled with an electoral system of proportional representation and a lax electoral law (electoral thresholds have never been enforced in Ecuador), regionalism has encouraged the multiplication of political parties. The large number of parties has translated into small legislative contingents and a perennial situation of divided government, which in turn has delayed the adoption of policy measures and forced the executive to adopt compensatory strategies to form ad-hoc coalitions. At the same time, the large number of parties has created high electoral volatility. Combined with a two-year electoral cycle (between 1984 and 1998) electoral volatility shortened the horizons (i.e., increased the discount rates) for legislators intervening in the policymaking process and reduced their incentives to reach viable inter temporal agreements.
- Incentives for political careers have also discouraged interest in policy among legislators, shortened their prospects, and discouraged party unity. The former no-reelection clause (1979-94) and the currently low reelection rates have created disincentives for the development of legislative specialization and greater policy expertise. The adoption of open list proportional representation (since 1998) is eroding the already low levels of party cohesion in the legislature.

- The presence of strong interest groups (some are the product of entrenched rent-seeking sectors while others, like the growing indigenous movement, are the result of democratic politics) has encouraged permanent constituency pressures on the policymaking process. These pressures have shortened the horizons of policymakers by providing positive (campaign contributions, bribes) or negative (protests, revolts) selective incentives. They have also introduced rigidities in the policymaking process by encouraging the legislators to obtain special protections for their constituents or to distribute pork. Interest groups have also turned to last-ditch veto players in order to override undesirable policies.
- Paradoxically, the recurrent attempts to adopt “institutional fixes” for these problems have created high instability in the rules of the game. High volatility in the institutional setting fostered greater uncertainty among politicians and discouraged the adoption of flexible policy agreements in the long haul.
- In this context, major policy initiatives are the “prerogative” of the executive branch. Strong constitutional powers and a fragmented opposition may allow the president to push his policy agenda (decisiveness) but do not guarantee policy implementation (resoluteness). Decree, veto and other presidential powers can be effective inasmuch as presidents can “impose” decisions and avoid congressional overrides or conflict escalation. In most cases, however, presidents must obtain legislative victories by making significant concessions to the opposition (yet presidents prefer these policy concessions to the “retail purchasing” of votes). On the other hand, a weak government bureaucracy, volatile cabinets, popular mobilization, and judicial review tend to weaken the durability of policies (irresoluteness).

## **2. Research Design and Research Team**

### **2.1 Data Collection**

We have tentatively structured the data-collection and analytical efforts into six modules covering the whole life cycle of the policymaking process. The modules address the overall institutional framework, exogenous shocks, the executive branch, congress, executive-legislative relations, and judicial review.

*1. Institutional Framework.* Because Ecuador has experimented with different constitutional and electoral arrangements over the last two and half decades, we will develop a database tracking the evolution of the underlying “rules of the game” in terms of presidential powers, the electoral system, executive-legislative relations (e.g., cabinet censure powers), budget procedures, and judicial nomination rules on a year-to-year basis. We hypothesize that both the *direction* and the *rate* of institutional changes will explain some of the features of public policies.

*2. Exogenous Shocks and Economic Performance.* A second dataset will document overall economic performance and all major economic and social exogenous shocks as well as natural disasters that have shaken the Ecuadorian economy between 1979 and 2003. These variables include the levels of (and changes in) the price of major exports (oil, agricultural exports, and exports of the fish industry), and tax and oil revenues. We will also code events like earthquakes, floods, financial crises, and the war with Peru. To relate the policy issues (Zs) with the policymaking process, the dataset will also devise a simple coding scheme to indicate which constituencies (regional or sectoral) were directly affected (positively or negatively) by these shocks.

3. *Executive Branch.* We will collect data on the composition of cabinets and public support for the president between 1979 and 2003. We already have information on 168 ministers in office between 1979 and 1997, including their portfolios, party affiliation, duration in office, and whether they suffered a censure in congress. We have also collected data on presidential approval in the Coast and the Highlands for 1988-1999. As part of this module, we will gather information on popular protest against the president's policies during 1979-2003.

4. *Congress.* To address legislative incentives and party performance in congress, we are developing a legislative database with information on all members of congress between 1979 and 2003. We have already identified all legislators, their districts, instances of reelection, and party membership (including party-switching patterns). We must now collect additional information on committee membership and some 200 roll-call votes on key social and economic issues. This information will allow us to model the formation of policy coalitions and the evolution of party cohesion over time.

5. *Executive–Legislative Relations.* This segment is the core of the project, as it will allow us to trace which policy proposals are introduced in congress, which ones are amended, and which ones are approved or rejected. We have identified a total of some 4,800 bills introduced in congress between 1979 and 2003. Of these, some 250 bills initiated by the executive directly addressed economic reforms. We will do a content analysis of these bills to identify whether they substantially altered the policy status-quo and whether they favored (or harmed) particular constituencies. Using this database, we will estimate the success rate of the executive, and whether congress operates as a transformative arena or as a blunt veto player.

The information available in the other datasets will allow us to model the probability of policy change based on the institutional structure at the time of the policy debate, the need to respond to exogenous shocks, cabinet composition and presidential approval rates, the composition of congress and levels of party cohesion, the presence of popular protests, and the position of specific constituencies vis-à-vis the policy initiative.

6. *The Judiciary.* The sixth module will cover policy paralysis through judicial review. We will identify the partisan composition of the Supreme Court and the Constitutional Tribunal between 1979 and 2003. Because nominations have been overtly politicized for a long time, the party identification of judicial operators has been no secret in Ecuador. We are currently exploring the feasibility of building a database with all the decisions of the Constitutional Tribunal between 1996 and 2003. This dataset would identify the nature of each case, the timing and content of the decision adopted, the position of each member of the Tribunal, whether the decision overruled an Executive or legislative policy, and whether the decision benefited (or hurt) a particular constituency.

The six modules together will provide a “systemic” and “consequential” perspective on the policymaking process (DP1, 3). Although they involve an ambitious plan for data collection (we will virtually create a “map” of the PMP in Ecuador and model its structure), a significant part of this data, including datasets on more than 2000 individual legislative profiles, some 50 roll calls on economic bills, as well as bill-initiation data, is already coded. Since this information was gathered as part of Andrés Mejía Acosta's doctoral dissertation, further uses of the data outside this particular IADB-FLACSO project, will require his explicit permission.

Our research paper will devote a section to each of these “modules” and will eventually model the patterns of policy change and policy stability conditional on political and economic shocks, the institutional context, the strength of the executive, legislative politics, and judicial intervention.

## 2.2 The Research Centre

The Facultad Latinoamericana de Ciencias Sociales (FLACSO) is dedicated to developing high-quality academic research that addresses the challenges associated with the expansion of democratic politics, economic development, and social participation in Ecuador and the Andean Region. FLACSO's research experience is reflected in several publications and studies exploring the roles of political institutions (elections, political parties, legislatures, the judiciary and the presidency), political behavior (social movements, cultural identity), and the impact of political actors and institutions for the study of economic issues, such as external debt, dollarisation, migration patterns and the environment.

For this particular project Simón Pachano, the Academic Director of the Political Science program at FLACSO will coordinate the work of the project consultants, two of which have previously taught at FLACSO. The hosting institution will provide logistic and administrative assistance, provide data collection facilities for the researchers, and coordinate other project-related activities in Ecuador. The research experience and individual profiles of the project consultants are described below.

## 2.3 The Research Team

**Simón Pachano, PI (FLACSO Ecuador and Kellogg Institute, Notre Dame).** Pachano is the Academic Director of the Political Science program at FLACSO, Ecuador and he will be a Visiting Fellow of the Kellogg Institute for International Studies-University of Notre Dame during the fall of 2003. His most recent research focuses on political parties, representation and citizenship (Pachano 2003), though his extended research and work experience includes electoral systems (Pachano 1998), legislatures (Pachano 1997), democracy (1996) and social policy (Pachano 1993). He has done consulting work for UNDP, IADB, and UNICEF.

**María Caridad Araujo (Visiting Professor, Georgetown University).** Araujo has done extensive research on economics and public policy in Latin America (Araujo 1998a; Araujo and López 1994). She was a researcher for the Corporación de Estudios para el Desarrollo (CORDES) in Quito (Araujo 1998b) and currently works as consultant for the World Bank in the Latin America and Caribbean Division. She obtained her Ph.D. in Agricultural and Resource Economics from the University of California-Berkeley in 2003.

**Andrés Mejía Acosta (University of Notre Dame and University of British Columbia).** Mejía Acosta is a Ph.D. Candidate in Political Science from the University of Notre Dame and Killam Post Doctoral Fellow at the University of British Columbia, Vancouver. His research focuses on legislative politics, governability and its impact on fiscal balances in Ecuador and Latin America (Mejía Acosta and Coppedge 2000, Mejía Acosta 2002). He was a researcher for the Corporación de Estudios para el Desarrollo (CORDES) in Quito (Mejía Acosta 1998), and has done consulting work on Ecuadorian politics for IADB, IDEA and UNDP.

**Aníbal Pérez-Liñán (University of Pittsburgh).** Pérez-Liñán is Assistant Professor in the Department of Political Science at the University of Pittsburgh. His research focuses on executive-legislative relations and legislative politics in Latin America (Mainwaring and Pérez-Liñán 1997; Pérez-Liñán 2003). He has a Ph.D. in Political Science from the University of Notre Dame.

**Sebastián Saiegh (University of Pittsburgh).** Saiegh is joining the University of Pittsburgh as Assistant Professor of Political Science in the Fall of 2003. His work focuses on political economy and institutions (Jones et al. 2002; Saiegh and Tommasi 1999). He will finish his Ph.D. at New York University this summer.

#### **4. Proposed Budget and Justification**

The proposed budget presented in appendix 1, contains five main spending categories. First, the research team (See Professional Honoraria) is composed of one Principal Investigator (PI) based at FLACSO and four Project Consultants (PC) working from their respective home institutions, each of them in charge of writing one relevant part of the country report. Additionally some other Specific Consultants (SC) will be contracted to complement the study with concise research reports on relevant issues such as Economic shocks, social conflict, survey polls, Constitutional Tribunal and Social policies. One of these consultants will be paid by FLACSO.

The second part of the budget is devoted to data collection efforts. These monies will contribute to complement and develop existing datasets for the Executive and Legislative branches, as well as to gather new data on the impact of Economic Shocks, and the Judicial Branch. This section is calculated in "research assistant hours". FLACSO will contribute with the collection of the Judicial Data as well as the coding of the rules contained in the Institutional Framework.

The travel related expenses consider three trips to and from Ecuador. The purpose of the first trip, planned for the early stages of the project, is for the PI or a PC to establish the terms of reference for the SC as well as to recruit and train the RA's in Ecuador for data collection in the proposed areas. A second trip of a PC is planned towards the end of the data collection stage (late 2003/early 2004) to meet with the PI, summarize the work of the SC, RA's and discuss preliminary findings with policy makers and scholars in Ecuador. A third trip will be used to fly the PI back to Washington to present the final country report.

Finally, the budget reports a Project Administration Fee required by FLACSO to host this initiative, as well as for other Contingencies not considered in this budget.

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**6. Appendix**  
**Proposed Project Budget: Policy-Making Process in Ecuador**  
**IADB-FLACSO, August 2003**

	IADB Contribution	FLACSO Contribution	Total amount
<b>1. Professional Honoraria</b>			
<b>Principal Investigator</b>	\$ 2,500		
A professional fee of \$2,500.			
<b>Four Project Consultants</b>	\$ 8,000		
A professional fee of \$2,000 each.			
<b>Five Specific Consultants</b>			
A professional fee of \$ 1,250 each to elaborate research reports on:			
* Economic Shocks and Policy Making	\$ 1,250		
* Measuring Social Conflict in Ecuador	\$ 1,250		
* The role of the Constitutional Tribunal	\$ 1,250		
* The Impact of Public Opinion Ratings	\$ 1,250		
* Social Policy and Local Government (Paid by FLACSO)		\$ 1,250	
	<b>\$ 15,500</b>	<b>\$ 1,250</b>	<b>\$ 16,750</b>
<b>2. Data Collection</b>			
Data collection will require a total of 1,600 "research assistant hours" @ \$7.00 an hour. The project will gather, and clean data in the following categories:			
<b>a) Institutional Framework</b>		\$ 700	
100 RA hours to develop database coding the "institutional rules of the game" (RA paid by FLACSO).			
<b>b) Economic Performance</b>	\$ 700		
100 RA hours to document overall economic performance and shocks.			
<b>c) Executive Branch</b>	\$ 700		
100 RA hours to develop cabinet composition, cabinet impeachments, and job approval rates.			
<b>d) Executive-Legislative Relations</b>	\$ 2,800		
400 RA hours to do content analysis of reforms contained in approximately 500 bills submitted by the Executive to Congress.			
<b>e) Legislative Branch</b>	\$ 3,500		
500 RA hours to survey, collect and build the dataset of approximately 200 roll call votes on social and economic issues.			
<b>f) Judicial Branch</b>		\$ 2,800	
400 RA hours to assemble a dataset of partisan composition and decisions produced by the Constitutional Tribunal and Supreme Court (RA paid by FLACSO).			
	<b>\$ 7,700</b>	<b>\$ 3,500</b>	<b>\$ 11,200</b>
<b>3. Travel Related expenses</b>			
Three round trip tickets to/from Ecuador and United States @ \$1,000 each	\$ 3,000		
Lodging expenses, meals and per diem @ \$940 each trip (5 days x @ \$188.00 each day)	\$ 2,820		
	<b>\$ 5,820</b>		<b>\$ 5,820</b>
<b>4. Project Administration</b>			
FLACSO's fee for project administration.	\$ 3,500		\$ 3,500
<b>5. Contingencies</b>			
	\$ 2,000		\$ 2,000
<b>Total proposed Budget</b>	<b>\$34,520</b>	<b>\$4,750</b>	<b>\$39,270</b>