

# Democratizing Decentralization in Bolivia

## The Law of Popular Participation

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During the past forty years, both high- and low-income countries have embarked on decentralization projects that have focused on transferring a range of responsibilities from national to local government (Samoff 1979; Oyugi 2000; Wunsch 2001). These programs operate on the assumption that decentralized governments are not only more efficient and less corrupt but also can promote economic development and democracy better than centralized ones (World Bank 1997).

The issues raised by decentralization are critical for any serious consideration of the practice of subnational planning. Conflicts and opportunities are inherent in decentralization processes, with national politicians, bureaucrats, and national and multinational firms lined up on one side and local authorities and businesses on the other. These tensions are present not only in federalist states such as the United States but also in unitary states such as France. Nor is the issue as simple as whether to decentralize but, rather, what mix of dividing authority and responsibility between local, regional, and national government is the best for the interests of the broadest number of people in a given locale at a particular time (William Goldsmith, personal communication, March 10, 2003).

Decentralization in Bolivia is instructive for audiences in both low-income and industrialized countries where these types of policies are touted as the panacea for problems ranging from corruption and bureaucratic inefficiency to local economic development. Bolivia's 1994 Law of Popular Participation (LPP) transferred 20 percent of the national budget to the country's 311 municipalities and, in a departure from the policies usually associated with decentralization, mandated grassroots participation in local planning and budgetary oversight.

This article looks at the impact of decentralization on administrative efficiency and capacity, economic development, and political accountability and participation. While decentralization in Bolivia has yet to fulfill either administrative efficiency or economic development goals, it has increased opportunities for indigenous and local organizations to participate in local decision making and has opened new spheres for grassroots political participation.

### Abstract

In 1994, as part of a global trend, Bolivia instituted an ambitious decentralization program that not only transferred funds and new responsibilities to municipal governments but also mandated participatory budgeting and oversight by local organizations. This article offers a preliminary assessment of the program, focusing on its effects on government efficiency, economic development, and political accountability. It finds that in some municipalities, with both strong grassroots organizations and nongovernmental organizations, a relatively democratic process of decentralization occurred although decentralization did not serve as an impetus for economic development. In many municipalities, however, the policy has resulted in the entrenchment of local elites, the strengthening of clientelistic relationships, and the "decentralization of corruption."

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► **Decentralization as a Strategy  
for Efficiency, Development,  
and Participation**

As with other concepts in the development lexicon (Escobar 1995; Sachs 1992), decentralization carries a variety of meanings. Rondinelli's (1981) commonly cited definition identifies four primary uses: the devolution of powers from central to local government, deconcentration of government offices and functions by physically dispersing them, the delegation of government functions to parastatal organizations, and the privatization of state-owned enterprises. While this functional definition is useful to consider its administrative features, the typology does little to establish a framework that illuminates the broader social and political processes linked to decentralization. Slater (1989) suggests the examination of decentralization should be tied to "a series of more theoretical concerns relating to development, democracy, social struggle and state power" (p. 502). To incorporate this broader consideration of decentralization, I examine these issues at three intersecting levels: first, decentralization through the LPP sought to establish effective/efficient government by standardizing planning and administrative functions at a municipal level; second, it was to improve economic development in the country through increasing investment in the country's dispersed, mostly rural municipalities; finally, it sought to increase political accountability, particularly through greater citizen participation, to reduce corruption.<sup>1</sup>

Decentralization has been on the rise for the past thirty years in both high-income and low-income countries. In the United States since the Nixon administration, successive waves of decentralization have transferred numerous programs to states and localities. At one level, this has contributed to increased levels of inequality within states as the federal government typically has assumed responsibility for redistributive funding (Donahue 1997). Decentralization can also reinforce inequality in the provision of public services across states, most critically in the areas of health and education, which can have a cumulative effect on the developmental potential of a region (Warner 2001).

In the 1960s, decentralization programs were widely undertaken in francophone African countries as a corrective to the highly centralized French colonial system. In English-speaking African countries, decentralization lagged a full two decades, but by the 1980s, 71 percent of the countries had adopted programs (Doan 1995, 126). During the 1990s, decentralization became part of the "new development paradigm," which emphasized "decentralization, community development, deregulation, privatization, minimal government, popular participation and flexible forms of foreign aid" (Werlin 1992,

223). Current World Bank projects and reports promote the idea that decentralization will not only contribute to more efficient government but also hasten economic development and increase local democracy (World Bank 2000).

Centralized political and administrative systems, Wunsch (1991) points out, have been resoundingly rejected by mainstream development practitioners whose "numerous scholarly studies have come to this conclusion: the centralized, hierarchical, bureaucratic administrative model has failed . . . [as] it is a primary instrument of an urban/wealthy biased political economy which rests heavily on the rural dwellers and the poor" (p. 432). If centralization has been found to have considerable limitations, the alternative as often framed has also proven problematic.

Bolton and Farrell (1990) suggest that decentralized systems may fail as they lack the capability to coordinate effectively and do not allocate resources efficiently. They argue for an optimal level of centralization in which the costs of inefficient centralized systems are balanced against the costs of duplication and delay common to decentralized systems. Oyugi (2000) points out that administrative decentralization programs failed in some African countries due to a lack of local technical expertise and dependence on transient foreign experts.

In a broader discussion of decentralization and governance in Africa, Oyugi (2000) notes that a series of assumptions is embedded within the decentralization programs by development agencies. Some of these assumptions, such as decentralization's ability to increase social and economic development, he argues are unwarranted (pp. 5-10). In many cases, local governments have problems both funding and administering development plans. Funding problems result from a limited ability to raise tax revenues and inadequate or slow transfer payments from central government (Willis, da C. B. Garman, and Haggard 1999; Wunsch 2001). As local needs consistently outstrip governments' abilities to provide education, health, and other public services, it is little wonder that when these responsibilities are transferred to local governments, those governments unable to raise sufficient revenues to provide services.

A central problem of decentralizing economic development programs is the ability of local elites to capture the benefits from them more effectively than if they are administered by a central government. Bienen et al. (1990) found that administrative decentralization in Nepal allowed rich local farmers to capture benefits from locally administered development projects. These patterns of local elites taking advantage of decentralization also create new opportunities for corruption with a regional flavor (Werlin 1992; Rondinelli, McCullough, and Johnson 1989; Wunsch 1991, 2001). Local elites in the

Ukraine, India, and Africa have captured newly privatized state enterprises and evaded local taxes through bribes, influence peddling, and intimidation (Blair 2000, 25; Khan 1999). However, this trend may not be universal; Fisman and Gatti (1999) found a negative correlation between decentralization and corruption in a worldwide study using the World Competitiveness Report and the German Exporter Production Index.

Decentralization is also assumed to be a prerequisite for economic development and good governance. Rather, as Oyugi points out, the opposite is true. Good governance—which he defines as “the rule of law; a fair and efficient system of justice; broad popular involvement in political, social, and economic processes; the capacity to manage development and accountability and transparency in the management of public affairs” (Oyugi 2000, 6)—is needed if decentralization is to be successful.

Decentralization’s contribution to increased democratic participation is largely unsubstantiated. In five African countries, Wunsch (2001) found that the result of decentralization on local participation in national planning was that

the local effort was always for naught, and, there is instead a top-down process through which national ministries . . . determine what will be done at localities. . . . This erodes local authority, its access to resources appropriate to its needs, and the credibility of a local “political process.” (P. 278)

In some instances, decentralization has also been manipulated politically to reinforce the power of the central government and its allies. Bienen et al. (1990) suggest that administrative decentralization programs in Nepal have actually worked to consolidate support for the national government and isolate political opposition as allies of central government leaders were charged with implementing decentralization programs.

For some critics of decentralization, the political problems run even deeper. Slater (1989) writes that decentralization can be seen as “a rolling-back of many of the economic and particularly social functions of the state” (p. 516). In this light, decentralization serves as part of an ideological program to free the invisible hand of the market from the bonds of political interference. At the same time, however, he notes the contradictory nature of decentralization, as it is used by national governments to extend their control “through a spatial strategy of spreading means of transport and communication and fortifying the informational nexus of government, and to establish a more effective administrative machinery for surveillance” (p. 523).

Even the fiercest critics, however, recognize that decentralization programs can promote broader goals of democratic development and participation given a conscious commitment to do so (Slater 1989, 523). Samoff (1990), for example,

points out that “for decentralization to be empowering, it must be linked to the broader goals of political and economic democracy, and participation must not be ‘functionalized’ as an element of planning” (p. 524). Decentralization is understood as a blunt instrument that must be honed to address specific social and political goals.

This is nowhere truer than in Latin America’s most well-known case of moving authority and budget to the municipal level. In Brazil, more than seven hundred left-wing local governments have used decentralization, promoted decades earlier by local elites to consolidate their power in the face of a modernizing military, to institute participatory budgeting (William Goldsmith, personal communication, March 10, 2003). Porto Alegre, one of the wealthiest Brazilian cities in the southern part of the country, has been successful in promoting considerable citizen involvement in decision making over about 15 percent of the municipal budget and serves as a model for these efforts all over the world (Abers 2000).

### ► Bolivia’s LPP

Bolivia is about the size of Texas, Ontario, or France, with a population of 8.5 million people, the majority of whom are from Quechua, Aymara, and Guaraní ethnic or linguistic groups. Since the midsixteenth century when the colonial mines of Potosí produced more than half the world’s gold and silver (Klein 1998), Bolivia’s natural resource wealth has benefited global, rather than local, economic interests. As with many low-income countries, the successive resource booms driven by silver, quinine, rubber, tin, and, most recently, coca (and its derivative cocaine) and hydrocarbons have done little to provide the foundations for continued economic growth (Sachs and Warner 1999). About half the population still lives as partly subsistence farmers in rural areas, and these campesinos<sup>2</sup> provide about 70 percent of the country’s food (Rance 1991).

Bolivia has the dubious reputation of having had the largest number of coup d’états in the world since winning its independence from Spain in 1825 (Morales 1992). While frequently ruled by military governments, since its return to civilian rule in 1982 the country has celebrated five democratic changes of administration. Before 1985, the government was seen as the country’s prime economic actor. This changed when, following the conditions of an International Monetary Fund structural adjustment package designed with the technical advice of Jeffrey Sachs, a neoliberal economic model replaced a capitalist state model (Sachs 1987). Structural adjustment has led to privatization of government firms and a trend toward the privatization of basic services. Bolivian

innovations in structural adjustment, such as the use of social investment funds, have been widely cited as a model for other developing and transition economies (Graham 1992).

The LPP grew out of a long effort to decentralize government and shift resources to long-neglected rural communities (CIPCA 1991; Medina 1997; Molina Monasterios 1997). Miguel Urioste, the minister to the president in 1984, points to two important antecedents to the LPP: the 1984 Fundamental Agrarian Reform Bill and the 1994 new Law of Communities Bill, neither of which was signed into law. Together, these unsuccessful bills contained four measures that were the heart of the LPP: (1) the legal recognition of ten thousand peasant and indigenous communities throughout the country, (2) the recognition of the traditional governing structures of these communities, (3) the recognition of their territorial rights, and (4) the transfer of 10 percent of the national budget allocated to the nine regional development corporations to these communities (Urioste Fernández de Córdova 2002, 159-60).

The LPP assigned 20 percent of national tax revenues to municipal governments along with responsibility for maintenance and construction of schools, health clinics, secondary roads, microirrigation systems, and sports facilities. Before the law, funds for urban development were channeled directly to municipal capitals or indirectly through regional development corporations, organized at the departmental level. Prior to the LPP, the three cities on the central axis captured 93 percent of national funding specifically directed to municipalities.

Criticism was raised during passage of the law that shifting responsibilities and taxation from the national to the local level was merely a pretext for reducing the overall provision of public services. Yet few disputed the law's principal innovations: the combination of mandating participatory planning by neighborhood and indigenous organizations complemented with fiscal oversight by representatives from these same organizations.

The designers of the LPP assumed that effective participatory planning would be embodied at the municipal level in annual operating plans (AOPs)<sup>3</sup> and five-year municipal development plans (MDPs). They further—and correctly—assumed that nongovernmental organizations (NGOs) would provide much of the technical support to develop the plans in small municipalities lacking the technical capacity to write their own (Kohl 2003). Indeed, the AOPs and the MDPs were written by a combination of NGOs and consultants. The reliance on NGOs as development agents continued a pattern that began in 1990 when the Social Investment Fund channeled millions of dollars through NGOs for projects to ameliorate the impacts of neoliberal restructuring (Bebbington 1997; Graham 1992).

## ► New Roles for Local Actors

### Grassroots Territorial Organizations (GTOs)

One major accomplishment of the LPP was that it recognized GTOs, including urban neighborhood organizations, pre-Hispanic indigenous organizations, and modern campesino unions.<sup>4</sup> The government registered almost fifteen thousand GTOs between 1994 and 1997 and gave them responsibility for creating community development plans, ensuring local oversight of projects, and mobilizing community labor for the construction and maintenance of public works. These GTOs vary in size and function. In rural municipalities, they can have as few as sixty members, while in the country's largest cities, they can have as many as three thousand. While a large urban neighborhood organization can mobilize its members for demonstrations or public protests, it plays a less important role in their daily lives than rural GTOs. Rural GTOs make greater demands on their members who often have multiple ties and obligations extending across generations. In many rural communities with populations between one hundred and five hundred people, communal work responsibilities serve as the most important form of taxation, and individuals are subject to intense social pressure if they shirk these obligations (Albó et al. 1990). In the cities, the level of effective participation of GTOs, as measured by organizing and participating in a neighborhood group to achieve a specific outcome, is low when compared to their rural counterparts. Urban neighborhood organizations (*juntas vecinales*) have a mixed history, functioning sometimes as grassroots organizations pursuing a territorial agenda and sometimes as organizations that serve primarily as a political party tool (Kohl 1999, 157-58).

During the development of the LPP, conflicts arose about which organizations would be considered GTOs. As the law specified that no territory could have more than a single GTO, this led to intense debates about which organizations could claim to legitimately represent any given population. The national Confederation of Unions of Campesino Workers of Bolivia (Confederación Sindical Unica de Trabajadores Campesinos de Bolivia) initially opposed the law because of prior government efforts to create parallel organizations to undermine campesino unions. Formal union opposition to the LPP weakened steadily as the unions became convinced that the law did indeed offer new opportunities. By 1997, 11,577 campesino unions had petitioned departmental authorities for GTO recognition (National Secretariat of Popular Participation [SNPP]–DNFC 1997, 19).

This recognition has resulted in other problems. Although the LPP formally commits itself “to promote equal access of women and men to positions within the GTOs” (Ley 1551, art. 8), it contains a structural bias against women. Grassroots Bolivian women’s organizations, which began organizing in the 1960s with the formation of housewives committees in the mines, have been organized around sectoral issues such as supporting male-dominated unions, receiving food aid, and participating in drinking water and income-generating projects. Consequently, they do not qualify as GTOs. Even when women’s organizations have a territorial basis, as in the case of campesina organizations, they are subordinate to the male-dominated unions. This has resulted in a systematic exclusion of women from equal participation in the LPP, even as other laws attempt to increase women’s political participation.<sup>5</sup>

Another significant complication is found where more than one type of traditional indigenous organization exists, most notably in the north of Potosí, one of the most traditional areas in the Andes. *Ayllus*, a pre-Columbian form of social organization, and unions exist in the same communities yet have served different functions and, to some degree, provide benefits to different sectors of the community. The campesino unions, which in many parts of the *altiplano*, the inter-Andean high plateau, began to displace the *ayllus* in importance following the revolution of 1952, assumed responsibility regarding relationships with the government, while the *ayllus* maintained control of affairs internal to the community. The community, as defined by the union, is not coterminous with the territory of the *ayllu*, a much larger polity. To complicate matters even further, both cross the new municipal boundaries.<sup>6</sup>

Finally, in areas where urban development encroaches on rural communities, tensions have erupted between different types of organizations representing different sectors in the same physical space. For example, in Santa Cruz, the *capitanías* of the indigenous Guaraní share many peripheral neighborhoods with recent migrants to the city. Before the LPP, the separate organizations representing Guaraní and urban residents coexisted peacefully, but tensions grew as each group formed a GTO that asserted claims on revenue-sharing resources (Postero 2000).

Issues concerning the composition, legitimacy, and representation of GTOs reflect the difficulty of legislating democratic participation among highly heterogeneous populations. While none of these problems has been resolved, even with these limitations, however, the LPP has broadened the scope of local participation in planning and decision making by officially recognizing the rights of grassroots and indigenous groups for the first time in the country’s history.

### Oversight Committees (OCs)

The authors of the LPP were concerned that the transfer of resources to local government could simply lead to the “decentralization of corruption” rather than to local development. To avoid this, the law created municipal OCs (*Comités de Vigilancia*). These committees have veto power over municipal budgets and budget reports, both to ensure that funds are well spent and to prevent local elites from capturing the new resources. Depending on the size of the municipalities, committees have between three and ten members drawn from GTOs. While not authorized to audit municipal books, the OCs are charged with ensuring that municipal spending equitably distributes project funds throughout the municipality and that at least 85 percent of revenue-sharing funds are spent on new construction and not on municipal operating costs or maintenance of existing infrastructure. The OC must review the municipal budget and financial records to ensure that reported investments are actually made. The OC operates by consensus, giving a single individual power to block approval of a municipal plan or budget report. When problems arise, OCs have the responsibility to file a complaint with the departmental office of popular participation. If this office fails to resolve the problem, the case goes to the National Treasury, which must either resolve the problem within 30 days or freeze municipal accounts, a not uncommon occurrence.

### NGOs

NGOs in Bolivia have taken increasing responsibility for rural development since the country’s return to civilian government in the 1980s and have become the most important rural development agents (Arellano-López and Petras 1994; Bebbington 1997; Duran B. 1990; Kruse 1994; van Niekerk 1994). Their number grew from an estimated one hundred in 1980 to more than one thousand by the end of the 1990s (Javier Medina, personal communication, La Paz, November 15, 1999). The lack of exact figures reflects the limited ability of successive governments to control NGOs, which have insisted on running their programs independently—essentially implementing their own development strategies. While NGOs are located in each of the country’s nine departments, the majority of their project sites are within a three-hour drive of the nation’s largest cities. This concentration has led to NGO turf wars in some areas, while remote parts of the country remain underserved.

International funders often choose to work with NGOs, however, as they are perceived to be more honest and efficient

and often are in fact more responsive to funders' agendas than the government (Korten 1990; Fisher 1993). NGOs are also able to embark on short-term projects that can show results in tune with agency funding cycles (Bebbington 1997; Lehmann 1990, 181). Even with their widespread popularity, NGOs are subject to many of the same shortfalls of other development actors. Critics point out that overhead absorbs most NGO resources with only a fraction of funds reaching the grassroots. Even productive projects have typically returned less than project investments (van Niekerk 1994, 318). Other critics observe that NGOs, because of their scale, are unable to address the underlying structural causes of poverty. Still others contend that NGOs often fail to share their knowledge and experience with each other, lack technical proficiency, and have implemented untested technologies in poor communities with little room to accept risky projects (Kohl 1991). Arellano-López and Petras (1994, 567) criticize the broader impact that NGOs have had on Bolivian society, arguing that they have "usurped political space that once belonged to grassroots organizations" and have undermined political movements that oppose neoliberal policies.

### ► Impacts of the LPP

This section draws on visits to nineteen municipalities in 1997, 1999, and 2002 and interviews with local officials, community leaders, and representatives. I also reviewed reports and conducted formal and informal interviews with members of NGOs and the research division of various incarnations of the administrative unit for popular participation.<sup>7</sup>

#### Government Efficiency and Planning

Proponents of administrative reform often argue that decentralization leads to a reduction in the size and the cost of government as well as to an increase in the efficiency of social spending (Rondinelli et al. 1989; Oyugi 2000, 5-6). In Bolivia, the overall size of the government has actually increased as municipalities hire staff and begin to develop local bureaucracies. In fact, between 1994 and 1996, the LPP created thirty thousand new jobs, twice the number eliminated by the national government (MDH-SNPP 1996, 119-22).

The creation of a bureaucratic apparatus has two important implications. First, the availability of revenues for local investment is subject to the adoption of certain standardized and westernized notions of development and well-defined procedures. Potentially dissenting voices are controlled, as they must

use the language and tools of dominant groups, a process that subjects them to formal "democratic" processes (Escobar 1995; Rose and Miller 1992). Democratic participation, then, becomes a competition for limited local revenues.

Second, the now more powerful localized government undertakes new projects with revenue-sharing funds, which will require that they eventually increase local tax collection to maintain the new infrastructure. This new municipal role immediately ran up against the strongly held Bolivian belief that all taxes do is provide income for corrupt government officials and therefore are to be resisted. Significant social protests are the result. In December 1997, tax hikes in El Alto, the country's third largest municipality, for example, led to a week of violent demonstrations. More recently, in February 2003, violence broke out after the military clashed with police who went on strike to protest proposed new taxes. The conflict led to thirty-three deaths, hundreds of injured, and two days of looting (*La Policía se amotinó en La Paz* 2003).

The decision to increase revenue sharing for municipalities from 10 percent to 20 percent of the national budget meant momentous changes for rural areas by 1997. Some rural municipalities, however, were worse off as the LPP required them to assume responsibility for the construction and maintenance of roads, bridges, schools, clinics, and sports facilities that previously had been under either national or departmental jurisdiction. The average municipality could rarely afford the machinery necessary to maintain secondary roads or flood protection levies, supporting Bolton and Farrell's (1990) findings that decentralization can introduce inefficiencies as administrative units are fragmented.

Revenue sharing of national funds failed to compensate for the ability of larger, more urban municipalities to draw on their greater tax bases to raise revenues from other sources. This phenomenon is not limited to Bolivia. Warner (1998, Figure 3) shows that counties in U.S. metropolitan areas with a population of more than 1 million raise about 50 percent more tax revenue per capita than smaller urban and rural counties. In La Paz, the wealthiest city, less than 20 percent of municipal income came from revenue-sharing funds, whereas these funds accounted for 100 percent of income in the poorer municipalities throughout the country ([www.VMPPFM.gov.bo](http://www.VMPPFM.gov.bo)). The problem of unequal access to resources has been recognized by international donors that have directed large social investments at poorer municipalities (International Monetary Fund and World Bank 2001).

Despite these limitations, sharing 20 percent of the national budget among municipalities remains an estimable political feat. Municipalities that had never received any funding from federal sources suddenly had accounts in La Paz.

Javier Medina (interview with author, La Paz, February 25, 1997) told of the initial disbelief common in rural municipalities:

The mayor of one municipality in Oruro had to convince the community to do the annual operating plan. No one wanted to do it because it was a lot of work and they believed nothing would come of it. So the mayor went to the bank, took out all the money, brought it back to the community to show them it was really there. Only then did they start to work together.

This response reflects the historic relationship between urban and rural populations, common in many low-income countries. The urban world is tied to global markets, and the rural world is locally rooted in mostly subsistence production (de Janvry and Garramon 1977; Lipton 1977). This second Bolivia, which provides the labor and much of the food needed by the first, has received very little in return.

A survey of the municipal plans conducted by the SNPP identified fifteen planning problems (Vice Ministry of Popular Participation and Municipal Strengthening [VMPPFM] 1998b). Some problems resulted from a lack of coordination between municipal, departmental, and national organizations. A second SNPP study found that in 80 percent of the municipalities, the OCs did not participate in writing the five-year plans (MDPs) (VMPPFM 1998a). In half of the municipalities studied, neither the oversight committees nor the grassroots territorial organizations took part in the development of the annual operating plans. These municipalities typically had weak community organizations or unions that lacked the capacity to wrest power away from local elites and political parties. Instead, municipal budgets and operating plans were written by the municipal council or the mayor. In some municipalities, the mayor simply presented a plan to the council for approval. VMPPFM researchers also found that in some cases, members of an OC were replaced just before a plan had to be approved. As funding depended on their signatures, new members of the OC, under pressure from the mayor or the council, signed off on a plan or approved a budget that they had no role in either developing or monitoring. Other problems arose when certain communities presented exhaustive lists of demands for basic services without considering the limited resources available. The study found that most of the projects identified in the five-year plans typically were not carried out by municipalities. Finally, in almost all cases, inadequate provisions were made to meet the needs of women and indigenous groups.

Limited administrative capacity reduces the effectiveness of the LPP and has led the World Bank, the United Nations, the United States, the Netherlands, and Germany to fund projects, mostly directed by NGOs and consultants, to train qualified

professional administrative staff ([www.usaid.gov/pubs/cbj2002/lac/bo](http://www.usaid.gov/pubs/cbj2002/lac/bo)). These training programs have had limited success in improving administration, bookkeeping, and personnel and project management. As one NGO trainer stated, "A few workshops over one year isn't enough time to expect a public official to become an accountant, something that takes five years in university" (Walter Valdez, personal interview, La Paz, June 18, 1997). The gap has led to the creation of a number of master's programs in public administration, the most prestigious being "the Harvard program" at the Catholic University of La Paz.

Even when individual workers do gain necessary skills, this does not translate into fully competent municipal administrative teams. Bolivian public administration is frequently more political than professional. Municipal employees, often hired on the basis of family or party connections, change with each election, providing little administrative continuity. Outgoing employees usually do little to ensure a smooth administrative transition for their political rivals. Newly elected officials commonly "enter bare offices, stripped of all records" (Fernando Peralta, personal interview with author, La Paz, June 18, 1997). Another problem comes from the brain drain, a chronic problem in all economically depressed rural areas, where educated people tend to migrate to the cities. Often, the training programs in administration provide an individual with the basic skills needed to find a job in a city.

Finally, many municipalities do not have the basic physical infrastructure to run an office. Some municipalities "lack filing cabinets, bookshelves and keep the records in boxes in the corner" (Walter Valdez, personal interview, La Paz, June 18, 1997). Other municipalities do not have electricity, a prerequisite for keeping computer records. In practice, this results in small municipalities having offices in departmental capitals, and mayors spend increasing amounts of time in their urban offices, duplicating the patterns of rural elites of previous generations.

Many of these problems are to be expected as more than 250 of the country's 314 municipalities were created by the LPP.<sup>8</sup> The municipality as a new bureaucratic entity ran far ahead of the creation of a class of public servants. Yet there is still little understanding that the introduction of new forms of local government should be considered a generational rather than a three-year project.

## Economic Development

The LPP was primarily conceived to meet decentralization not economic development agendas. Some of the LPP's proponents, however, expected that the infusion of resources to

local governments would lead to economic development in the country's rural municipalities, and numerous projects have attempted to integrate economic and municipal development. In general, these projects have not been able to promote independent economic activity through either cooperative or individual efforts. Anecdotal accounts of projects in nineteen municipalities supported by German development aid reported little or no success in combining the two agendas. A review of reports from a multiyear project in nine municipalities supported by the Swiss development agency COSUDE, in collaboration with the Vice-Ministry of Rural Development, reported more "lessons" than "successes."<sup>9</sup> Problems often resulted as representatives of municipal governments refused to direct subsidies for economic development to a limited sector of the population. In other areas, the fundamental reasons for the historic lack of economic development—relative isolation, miniscule local markets, and inadequate basic infrastructure—contributed to the failure of economic development initiatives. In the few cases that the reporters identified as successful, resources from a range of government, NGO, and bilateral programs were employed, not just those of the municipality. The intense support required to ensure these limited successes does not bode well for the wider replication of this model of the productive municipality.

Javier Medina (interview with author, La Paz, June 19, 2003) says that the economic limits of the LPP can easily be understood in light of the

failure of the range of economic development projects of both multilateral institutions as well as NGOs over the past decades. The language of the LPP was clear. We said that we wanted to improve the quality of life—we never supposed that the LPP was an economic development project. Improvements would occur through the broader provision of social services and basic infrastructure. We never meant that to be interpreted as economic advancement—or the broader consumption of market goods. Of course, there was a group—many of them from the NGO sector—that really believed that popular participation should also meet economic development goals, but to date they don't have much to show for their efforts.

### Political Accountability

In Bolivia, clientelistic politics and payoffs are the norm in both the public and private sectors and have a significant economic impact. A 1997 study by the College of Bolivian Economists estimated that GDP growth would increase by more than 60 percent if corruption could be eliminated (*Costos de la corrupción* 1997). In such an environment, beautifully crafted participatory plans can be elaborated only to be ignored by city hall.

Opponents of administrative decentralization and popular participation have argued that the LPP would serve to "decentralize corruption" (Booth, Clisby, and Widmark 1996, 26-30; Molina 1996). Supporting this prediction, a 1999 study reported that a total of 241 mayors—or just more than one-third of the 311 mayors each year—left their offices in 1996 and 1997, the majority after votes of censure by the municipal council (MDSP-VMPPFM 1999). In interviews with municipal officials, commonly accepted figures for kickbacks ranged from 10 percent to 25 percent. Accounting irregularities remain a significant problem. In May 2003, 25 municipalities had their accounts frozen by the National Treasury, and another 185 had failed to file one or more financial reports (25 *alcaldías están con cuentas* 2003). In some cases, outgoing mayors refused to give the receipts and account statements needed to file annual reports. One commentator suggests that some mayors would rather have municipal accounts frozen than face criminal corruption charges. While the LPP cannot be blamed for the country's endemic corruption, it has not been able to reduce corruption or affect an institutional culture in which kickbacks are an accepted part of government business.

There are, however, signs of growing intolerance for corruption in some areas. In one municipality in Potosí, for example, the council removed four mayors from office between 1995 and 1999. A former member of the OC commented, "It sounds bad, but actually we keep pressure on them and the mayors are learning. Each time we kick someone out for corruption the next one steals a little less." In this context, perhaps the removal of almost one-third of the country's mayors each year is a sign of progress.

The LPP has significantly changed the role of many NGOs (Kohl 2003). Bilateral and multilateral funders are increasingly directing resources through municipalities, which implies a loss of direct institutional support and increased competition for project funds for NGOs. In response, NGOs have increasingly assumed the role of consultants that sell services to municipal governments (Bebbington 1997). In some cases in which NGOs have worked in one area for years, municipal governments often remain dependent on them. This is partially due to the ability of NGOs to pay wages that are high enough to retain professional personnel, who typically maintain a primary residence in the nearest urban center and commute to rural municipalities.

Municipalities that have active NGOs have generally fared much better under the LPP than those without them. In Uncia, for example, CIPE, an NGO that has worked in the region for more than fifteen years, won the contract to write the municipal plan. The thorough planning undertaken by the NGO served to educate communities about their rights and

empowered them to confront corrupt local officials. Other municipalities often cited as successful examples of the LPP, such as Mizque or Pucarani, also greatly benefited from ongoing NGO support (de la Fuente 2001; Gannitsos 1998).

In other areas without NGO involvement, local elites have been able to co-opt popular participation (Blanes, Serrano, and Veizaga 2000), much as they have done in Bolivia with initiatives to increase equity since the 1952 revolution (Healy 1983; Kelley and Klein 1981). This can be seen, for example, in Rurrenabaque, where the expressed needs of rural communities for drinking water systems, schools, and health clinics have been largely ignored by municipal authorities. Instead, the lion's share of investment has gone to provide services and infrastructure for the urban center of Rurrenabaque. Recent mayors have treated NGOs working in rural communities with suspicion, going as far as attempting to ban one group from working in the municipality (Teresa Domingo, personal interview, La Paz, September 12, 1999). This began to change after one mayor was removed from office for corruption, and in much the same fashion as in Uncia, local residents, educated by NGOs, made increasingly vocal demands for their share of resources.

The LPP has successfully changed the direction of much of the popular resistance to recent neoliberal programs, through allocating enough resources to municipalities to attract the attention of local populations while simultaneously redefining the spaces for opposition (Kohl 2002). Until 1985, opposition to the social impacts of economic restructuring and austerity plans was national and class based. The Bolivian Workers' Confederation had the power to call for a general strike, in opposition to price hikes, for example, that would shut down the country. With the focus of attention turned away from national processes to local ones, opposition centered on GTOs and municipal struggles for the limited resources controlled by individual municipalities rather than on national issues. While these territorially based social movements have had some successes, as in the victory in the Cochabamba "water wars" (Finnegan 2002), these local successes are seldom replicated at a national level.

The indigenous groups and ayllus that were able to command attention through national protests have, for the most part, not registered the same gains within municipal borders where they must confront entrenched local elites. There have been, however, some important exceptions: the coca producers, the Guarani of the eastern lowlands, and the highland Aymara. In all three instances, these groups have been able to extend political allegiances across municipal boundaries, along ethnic or sectoral lines. In the case of the Chapare, a multimunicipal alliance existed before popular participation based on united opposition to the low-intensity conflict carried

out against coca growers. They are the only group, however, that has been able to transform a regional movement into a national one. Evo Morales, the leader of the coca-growers union, came in second in the August 2002 presidential elections, less than 2 percent behind the winner. Morales, to the surprise of many, drew broad support from indigenous groups and the urban poor to win more than one-fourth of the seats in Congress. Unlike previous elections in which urban populists or political parties represented indigenous interests, Morales and the senators and representatives on his party's lists are mostly from the grass roots.

### ► Conclusions

Although the LPP was widely touted as a revolutionary change equal to that of Bolivia's revolution of 1952, the law has served fundamentally as a reform measure, ultimately serving the agendas of international financial institutions interested in lowering central government expenditures and incapable of changing the basic material conditions of life for the majority of Bolivians.<sup>10</sup> The LPP has achieved mixed results as an efficiency measure, a development strategy, and a means to increase democratic practices and empower new groups at the local level. Clearly, as evidenced by the myriad problems in financial management, and continued corruption, the LPP has yet to create transparent, efficient local governments. This resonates with Oyugi's observations that decentralization does not automatically lead to strong governing institutions that are more efficient, as government efficiency is independent of decentralization. While some municipalities are held up as examples that show local governments can be efficient, the fact that 210 of 314 municipalities have failed to file financial reports on time shows that there is still much to be done.

Early supporters of the LPP envisioned the law would strengthen rural development municipalities through strong local community organizations collaborating with NGOs. Where local organizations are strong and backed by NGOs able to provide technical expertise while supporting grassroots leadership, the LPP has, to a limited degree, functioned as hoped. But much of the country has neither strong grassroots organizations nor strong NGOs, and as a result, the conditions for the LPP to transform rural municipalities have yet to be met. Municipalities where NGOs are strong and local organizations are weak offer challenging environments due to the slow pace of building grassroots administrative and decision-making capacity. The tendency is for even the best-intentioned NGOs to take over and control the process. At an extreme, the NGO can fall into the role of a new patron (Kohl 1991) for campesinos, replicating the previous subservient relationships

they had with landowners under the semifeudal hacienda system.

Although NGOs must negotiate difficult terrain, in some cases they offer a greater possibility than government to recognize that western public administration and governance styles are embedded within cultural as well as technical systems (Rose and Miller 1992). This is a crucial consideration in a country controlled by the urban descendants of Spanish elites where more than three-quarters of the rural population is indigenous. In this setting, NGOs have served to push the government to a greater recognition of indigenous rights and cultural practices.

Where strong local unions have successfully taken control of the municipality, however, the structural limits of how much the LPP can achieve become apparent. The law does not address the more generalized problems of economic development in the context of disadvantageous terms of trade and continuous economic crisis, most recently exacerbated by the destruction of much of the coca/cocaine economy (Kohl and Farthing 2001). There is a fundamental mismatch between the economic development goals of the LPP and its resources, which peaked at U.S.\$31 per capita in 1998 before falling to U.S.\$26 in 1999. It is also unclear whether small municipalities will be able to maintain the infrastructure built with revenue-sharing funds. In this sense, the LPP has indeed “decentralized poverty” as it has transferred the responsibility for the lack of basic infrastructure from the central to the local government.

While the introduction of formal democratic institutions does not always result in substantive democratic practice, the LPP has been successful in increasing the participation of campesinos and other underrepresented groups in planning at the municipal level. Even if the law does not live up to the promises of its boosters, it still is significant for having brought government resources to large areas of the country for the first time. Perhaps more significant, however, are the ways that the LPP has changed the expectations that many Bolivians have of their government. The LPP and the accompanying decentralization have increased, and the importance of municipal electoral politics is a proving ground for, a growing grassroots democratic opposition to the traditional urban political parties. Much like the Brazilian Workers Party, which built on electoral and administrative successes at municipal and state levels, some Bolivian opposition movements have consolidated a hold on a small territory before looking outwards to form alliances. Building on their success in the 2002 national elections, Bolivia’s leading opposition force has already started to focus on the 2004 municipal elections. They hope that widespread support at the local level will allow them to consolidate some of the gains promised by the LPP as well as provide a foundation

to confront the even greater challenges of economic and social development to improve life for the majority of Bolivians.

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### ► Notes

1. I am grateful to an anonymous reviewer of this article for suggesting this analytic framework.
2. Campesinos, literally, are people who live in the countryside. The word is commonly but inaccurately translated as peasants. The vast majority of Bolivian campesinos are from Quechua, Aymara, or Guaraní ethnic or linguistic groups.
3. These plans are alternatively called *plan de acción operativa* (annual action plan) or *programa de operaciones anuales* (annual operating program).
4. See Platt (1982, 1999) and Albó et al. (1990) for a discussion of these and other indigenous forms of organization.
5. While electoral laws call for including higher percentages of women candidates, they do not specify how women are to be ranked on electoral lists, of key importance in determining who actually enters office in a proportional electoral system.
6. Campesinos and indigenous peoples have developed practical strategies for dealing with new institutions as they have always done in response to colonial and neocolonial governments (Rivera Cusicanqui and equipo THOA 1992). This includes asserting the centrality of their indigenous roots when, in certain cases, they can receive benefits from programs available exclusively to indigenous communities (Ricardo Calla, personal communication, La Paz, November 15, 1997; Rivera Cusicanqui and equipo THOA 1992). In practice, this has meant that in some areas ayllus rather than unions are recognized as grassroots territorial organizations.
7. These are, during the first Sánchez de Lozada administration (1993-1997), the National Secretariat of Popular Participation (SNPP); during the Banzer and Quiroga administrations (1997-2002), the Vice Ministry of Popular Participation and Municipal Strengthening (VMPPFM); and most recently, the Viceministerio de Planificación Estratégica y Participación Popular (VMPEPP) during the current Sánchez de Lozada administration (2002-).
8. When the Law of Popular Participation was passed in 1994, the country had 311 municipalities. Since then, 3 new municipalities have been created and more are expected, in part a response by minority groups to gain administrative and economic autonomy.
9. The PADER-COSUDE project has done an admirable job of documenting their efforts. See their Web site, [www.municipio-productivo-pader.com](http://www.municipio-productivo-pader.com), available June 22, 2003, for details.
10. Malloy (1970) and Kelley and Klein (1981) argue that the 1952 revolution also failed to transform Bolivia completely. Never-

theless, post-1952 Bolivia offered more freedom and power to the majority of Bolivians than pre-1952 Bolivia.

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