



## Decentralization in Bolivia: A Model under Construction

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**T**he objective of this paper is to present some of the most important aspects of decentralization in Bolivia, considered a government reform, and to highlight the dimensions of a process whose implementation takes a long time.

### The main dimensions of the Bolivian model of decentralization

Two laws constitute the legal framework which enabled Bolivia to launch the process of decentralization almost simultaneously on a municipal and departmental level.

The *Law of Popular Participation (LPP)*<sup>1</sup> defines decentralization on the municipal level and represents the most radical and innovative dimension of this government reform. It shall serve as a central reference in this presentation of decentralization in Bolivia,

supplemented by a brief presentation of the *Law of Administrative Decentralization (LAD-adm)*<sup>2</sup> which deals with decentralization on a smaller scale on the departmental level.

These two laws and their respective regulations<sup>3</sup> constitute the legal framework of that which has often been called the “Bolivian model of decentralization”. They complement each other in that the LPP clearly puts priority on local political decentralization<sup>4</sup>, while the LAD-adm completes the new structure of the Bolivian State on an administrative, intermediate level by adapting it to the new conditions created by the LPP.<sup>5</sup>

### **Changes introduced by the LPP**

The Law of Popular Participation introduces four major changes which correspond to a dual movement, the first being the country’s municipalization and the second being the institutionalization of social involvement on a local level.

The *first change* involves institutionalizing relations between civilian society and the Bolivian State. It refers to the acceptance of traditional social organizations and the granting of rights and obligations to the same by the Bolivian State.

In the first phase the LPP thus recognized all existing traditional social organizations in the country, fully respecting their ways and customs, their statutory regulations as well as the traditional authorities representing them. Based on this recognition, a legal official was then assigned to existing communities and people, the rural communities and district organizations. The generic term “Basic Territorial Organization” (BTO) is used in the LPP to emphasize the eminently territorial character of social representation.<sup>6</sup> The legal official is allocated automatically upon request and at no cost to the BTO.

It must be emphasized that these traditional organizations not only enjoy great social prestige in Bolivia, but are also very important because until now they have been the strongest and most enduring expression of civil society since the Spanish colonization. This sociocultural reality was ignored for quite some time by the "official Bolivia" and only very recently was the multicultural nature of the country officially recognized.<sup>7</sup>

In the second phase, the acceptance of traditional organizations was complemented by a proposal to create a control commission ("Comité de vigilancia, CV") at each municipal level to be elected directly by the BTO. Its principal function would be to ensure an effective relationship with the municipal governments created by the LPP, as well as to exercise some control over municipal authorities, including the legislative bodies.

The rights and obligations of these two civilian authorities recognized by the Bolivian State are:

for the Basic Territorial Organizations (BTO):

- to accept the ways and customs and their traditional representatives
- to define their priority needs
- to participate in administrative health and educational services
- to promote fair representation of women and men in legal proceedings
- to elect members of the control commission

and for the Control Commissions (CC), representing the BTO:

- to consult and formulate proposals for the municipal budget
- to control the use of municipal financial resources, especially to ensure a fair allocation between rural and urban zones

(internal municipal jurisdiction) and of municipal administration costs

- to notify national and/or departmental authorities of any embezzlement cases or bad management of municipal financial resources on the part of the municipal government.

The *second change* introduced by the LPP permitted the municipalization of the entire country by creating 311 municipalities<sup>6</sup>, each having equal rights and obligations regardless of size, and each with its own territorial jurisdiction, and which together cover the national territory. All municipalities are endowed with an elected legislature based on universal suffrage (town council), a municipal executive consisting of a mayor/property manager (usually elected by the legislature) and an administration. All functions are compensated.

The LPP transferred exclusive responsibilities to the recently created municipalities (in addition to those already defined for the urban municipalities) regarding:

- infrastructures and equipment in the areas of health, education, sport, local roads, small irrigation and land registry systems
- the promotion of rural development
- the advancement of women and the protection of children and
- the definition of internal administrative boundaries in municipal jurisdictions.

The *third change* aimed at achieving a more fair redistribution of the financial resources from central government directly to the municipalities to the disadvantage of existing departmental authorities. In other words, the LPP regulates the automatic and permanent transfer of 20 percent of public resources stemming from national taxes to the municipal governments. The transfer

takes place directly in proportion to the population of each municipality.

In addition, management and tax collections on real estate, vehicles, as well as withholding taxes and trade licence fees are transferred to the municipalities following parliamentary approval.

Finally and by way of compensation, the LPP established a departmental compensation fund in favor of the departments who either pay no taxes or only a minimum of taxes based on exploited natural resources (mainly oil and gas).

It must be pointed out that the municipal governments may dispose of any resources and taxes transferred to them as they see fit, in other words they are not obligated to allocate these in accordance with any transferred responsibilities. The only restriction is that a limited percentage of municipal resources be used for municipal administration activities.<sup>9</sup>

The *fourth* and final *change* is the reorganization of the national executive to comply with LPP regulations. This in turn allows the restructuring of regional development entities<sup>10</sup>, in particular enabling them to support municipal government functions and integrate these with their own functions (cooperation of municipalities with their decision-making authorities). The national executive is responsible for supporting municipal governments in order for them to function properly. The national authorities for the financing of development projects should give preference to supporting basic territorial organizations and municipal governments.

Even the Senate of the Republic is affected by the LPP, making it responsible for any momentary suspension of financial transfers to municipalities in cases where control commissions and/or the

national executive have determined embezzlement or poor management.

### **The Law of Administrative Decentralization (LAD-adm)**

The general objective of the Law of Administrative Decentralization (LAD-adm) is to regulate the delegation of responsibilities of the national executive for each of the nine country departments in accordance with the new political-administrative municipal structure established by the LPP.

The main regulations of this law are:

- the confirmation of the prefect as a direct representative of the President of the Republic (who appoints him) and who at the same time bears responsibility for maintaining law and order and for managing the prefectural administration<sup>11</sup>
- the creation of a prefectural administration which regroups, in each department, all sectorial and decentralized public services which up until now were scattered in different locations as small isolated units and which were dependent on national authorities
- the transfer of additional responsibilities to the new prefectural administrations concerning secondary roads, rural electrification, production support and technical assistance, environmental protection and support of the municipalities
- the creation of departmental councils (in all nine departments of the country), elected by the municipal councillors, and in particular entrusted with the power of:
  - approving, in the first instance, the budget of the prefectural administration prior to its final parliamentary approval
  - approving departmental plans, programs and development projects
  - approving all credit requests necessary to implement the prefectural budget, and making agreements and contracts between the prefecture and other public and private entities



- censuring or passing a no confidence vote on the prefect, and if necessary requesting the President of the Republic to depose him.

## **The first steps**

Permit me now to describe the first changes which were realized immediately following approval of the above laws and which permitted the decentralization process to actually begin. For the public administration they represent the minimum basis upon which the LPP could be applied systematically and seriously and, for social participants, the tangible and concrete proof of the positive effects which the new legal framework has on their daily life.

### **Social mobilization**

The response of the civilian population came quickly, since the BTOs managed to gain strong recognition and had themselves registered. At the end of 1997 more than 13,000 BTOs already had a legal representative and 311 CVs had been founded (not everything worked and their establishment was a slow and more difficult process).

On the other hand, the 1995 municipal elections witnessed the strong participation of rural and indigenous candidates, with the result that one third of all elected municipal councillors came from rural areas or were natives.

### **The establishment of municipal governments**

The 311 municipal governments created by the law were established gradually. They began their work at the end of 1994, some-

times provisionally and with unpredictability in certain rural areas, but fully and completely following municipal elections in December 1995.<sup>12</sup>

The application of this first measure suddenly resulted in numerous important demarcation problems between municipalities. A special work group (based on the National Secretariat of Popular Participation, NSPP) was thus immediately called into being in order to proceed with the identification, registration and, initially, the systematic handling of conflicts concerning territorial boundaries.

### **The transfer of financial resources**

This was the first measure to be applied – even before all municipalities functioned. From the first day when funds were transferred to the municipalities<sup>13</sup>, the central government:

- opened 311 individual bank accounts (one per municipality) in private banking institutions and
- transferred the national resources, allocated to the municipalities in proportion to their population, on a daily and automatic basis.<sup>14</sup>

Compared to US\$ 52 million in 1993, the transfers destined for the country's municipalities thus amounted to US\$ 137 million in 1995 (+160 percent), which was the first year of the LPP's full application, and US\$ 184 million in 1997.

The proportional redistribution of public resources to the local population led to an immediate and very significant redistribution of public resources in favor of the country's rural regions, since the transfers destined for the rural municipalities amounting to US\$ 4 million in 1993 increased to US\$ 83 million in 1995 (+ 2,000 percent).<sup>15</sup>



### **The government organization responsible for implementing the LPP**

Finally, the political determination to implement the LPP was immediately supported by the creation of a national entity especially devoted to achieving this goal – the National Secretariat of Popular Participation (NSPP) – and the nomination of an independent personality as its head, known for his work in developing this law.



### **Results and challenges of introducing popular involvement**

After having accented the changes which in a very short time enabled the implementation of the LPP, let us now examine the first results obtained after three years of systematic application. This is only a partial evaluation which shall concentrate on certain delicate and difficult aspects before listing some of the adjustments and corrections which must be defined in several areas in order to consolidate the LPP.

It is worth showing evidence of well-known consequences resulting from the application of the LPP and the LAD-adm in several domains.<sup>16</sup> However, the reader should be aware that, due to the relatively recent implementation date, neither law is yet capable of demonstrating specific improvements in the general living conditions of the Bolivian population.

### **The establishment of the municipal administration**

The first and most important result obtained is linked to the fact that all decentralized authorities created by the reform depend on national resources stemming from current national tax revenues. Their work, including a portion of the project costs deter-

mined by the new authorities, is financed by resources from the Bolivian State.<sup>17</sup> Evidently this is fundamental, considering the durability of decentralization. On the other hand, the costs of implementing the reform – in particular of establishing the decentralized authorities and furthering their institutional development – have so far been financed almost entirely by cooperation agencies.

Another important result in terms of administrative capacity is the administrative reconstruction of the territory from the bottom up, with the creation of more than 1,000 local districts<sup>18</sup> by the municipal governments in both urban centers and rural municipalities.

### **Social participation**

A second important result concerns the civilian population's exceptional acceptance and support of the changes proposed by the LPP (to a smaller degree by the LAD-adm). This makes it obvious that these changes are irreversible, having become a part of State politics.

This support gave birth to an intensive social mobilization, mainly in the country's rural regions where the civilian population began to participate in municipal decision processes and financial resource management control. In spite of the functional problems often encountered by the control commissions, it can generally be confirmed that civil society used the entities created by the LPP and its channels and organizational instances to present and defend its needs and demands. This permitted the civilian population to direct municipal budgetary choices and put clear priority on projects destined for rural municipal zones. Up until now almost all public development projects focused attention on the small urban centers in rural areas.

## Local power

The third important result is the revaluation and strengthening of local power. Application of the LPP has been more significant in Bolivia's rural areas, due mainly to a tremendous willingness on the part of rural civilian society to accept the participative proposals and because, in economic terms, the LPP very clearly favors them. Yet generally the municipal level established itself as being one of the main domains of power in the current structure of the Bolivian State.

This is clearly manifested in the radical decentralization of public investments<sup>19</sup> at the municipal and departmental levels and in their orientation towards the rural zones of the country<sup>20</sup> as illustrated below:

- the spectacular increase of investments defined and implemented by the municipalities from US\$ 40 million in 1994 to US\$ 118 million in 1995 (+ 200 percent); the number of municipal projects planned amounting to 3,700 in 1994, increased to 9,600 in 1995 (+160 percent) and to 18,000 in 1997 (+ 390 percent)
- the general decentralization of public investments; in 1993 the central government was responsible for a total of 80 percent of all national investments and in 1997 it was not more than 40 percent, including its contributions to the cofinancing of department and/or municipal projects
- the significant increase (even if much remains to be done) – especially in the urban regions – and availability of the municipalities' own resources due to the municipal taxes which amounted to US\$ 38 million in 1993 and increased to US\$ 78 million (+ 100 percent) in 1996.

## **The challenges**

In order to obtain a balanced view of how far advanced the decentralization process in Bolivia is and of its future perspectives, it is imperative to also spend some time on the question of major challenges which must first be met by the people and the Bolivian authorities in order for this reform to be a total success and bear fruit.<sup>21</sup> The challenges are found there where the objectives meet obstacles in the implementation of the Bolivian model of decentralization.

Generally, we can say that the implementation of the LPP will have to follow the triple medium- and long-term objective of consolidating, implementing in the urban zones and deepening knowledge of the process. In the course of pursuing these three objectives, a number of negative factors and obstacles will be encountered which consist of many yet unresolved questions on realizing decentralization. Together, these objectives and obstacles will pose the future challenges to be faced before the Bolivian model of decentralization can be successfully implemented.

## **Consolidation**

The first objective refers to the urgent necessity of ensuring that, in a lasting manner, the authorities, mechanisms and measures foreseen by the law in both the administrative organization of municipal governments and social participation continue to function well. This task promises to be difficult since the capacity of municipal management often lies below actual needs and far from matches the movement and dynamics of the reform. The problem arises as much for their own administrative capacity, which often reveals a deficit in organizational and administrative systems (the management of both assets and services, personnel, the formulation and execution of projects and of financial

flows), as well as in the general transparency of municipal management (improvisation, manipulation and corruption) and in its participative character.

Another problem stems from a certain tendency to turn municipal governments into the scapegoats, giving them the sole blame for all management deficiencies. This point of view only feeds an already existing tendency on the part of present national authorities to "resume power in order to put things back in order".

This is an extremely difficult situation, both in large urban and small rural municipalities. In effect, the management capacity of these municipalities depends directly on their local contributions to improving the people's living conditions.

If it is evident that municipal governments should in the future assume a significant part of the responsibility relating to their management deficiencies, it is equally true that all administrative responsibilities are concentrated and especially revealing on the municipal level, including those of the prefectures and the national government who are essential partners of Bolivian municipalities.

This makes it equally imperative that prefectural and national authorities look seriously into improving their own management processes and capacities (which are not much better than those of municipal administrations) instead of simply questioning the administrative performance of municipal government. This would permit each level to assume its individual responsibilities and for all to develop their relations to improve coordination and cooperation.

With regard to support given to the municipalities<sup>22</sup>, the temptation is great for the central administration to concentrate on controlling the application of legal norms on the municipal level,

focusing its attention on the weaknesses of others, especially the municipalities of the opposition, and thus neglecting their main role of facilitating and supporting the initiatives and efforts of municipal authorities in accomplishing their tasks.<sup>23</sup>

As concerns the consolidation of authorities and mechanisms of social participation, the control commissions should prove their ability to complement instead of to compete with existing methods of social participation. Furthermore, they should refrain from playing any political games in order to establish their legitimacy by effectively representing the interests of the civilian population. At the same time, the issue depends on the dynamics of the local civilian society and the flexibility with which the LPP is applied in order not to limit social involvement to the pattern foreseen by the law.

### **“Urbanization”**

The second objective alludes to the existence and more than limited functioning of the authorities and methods of social involvement foreseen by the LPP in the country's urban municipalities, where they are systematically applied only in exceptional cases and in obvious contradiction to the situation experienced in the rural municipalities of the country. The lack of interest shown by the urban political classes and the deep mistrust of the population towards any political and administrative municipal authorities shows that it is not a simple subject or problem to resolve.

The challenge here is not to yield to technocratic temptation, which is especially nurtured by the financial resources made available to the urban municipalities, to the disadvantage of the civilian population's direct involvement. The urban agglomeration of more than one million inhabitants (for example Porto Alegre,

Brazil) proves that it is possible, even more so if one can count on the traditional Bolivian form of participation.

### **Deepening knowledge**

When we talk about improving decentralization, we also mean the need to strengthen local autonomy, especially that of the most disadvantaged municipalities<sup>24</sup>, and to establish effective and harmonious relations of coordination and cooperation between the three administrative levels in the framework of national public politics.

Unfortunately, we already see a certain tendency on the part of the national authorities to act "illegally and secretly". Indeed, the existence of municipal governments permits the central government to proceed with unilateral transfers and without consulting newly appointed sectorial parties on the municipal level (forestry law, government pensions, environmental protection law, etc.). This is destructive and underhanded. Moreover, these transfers are not accompanied by additional financial resources, or any specific administrative support in order to permit the municipal authorities to fully assume their new responsibilities.

With regard to currently existing local public politics, it is imperative that the new local situation as well as the needs and priorities expressed by municipal officials are taken into consideration. This should lead to a reorientation of national sectorial priorities. Thus, thanks to the LPP, an opinion was voiced in the rural areas of the country in favor of projects supporting agricultural and production activities; projects which at the moment do not receive more than marginal attention on the part of the central government and prefectures. At the same time municipalities give priority to sectorial investment projects which are subjected to excessively strong influence on the part of national cofinancing entities who in turn manipulate vague decision mechanisms to their own advantage.

If it is true that the presence of municipal governments leads to the idea that they could be systematically forced to implement national public policies, it is equally true that the latter should not be implemented for them, but with them, with their involvement and adapted to their individual situation. In the same way, cofinancing mechanisms of “municipal governments/national government” must be modified in order that specific, flexible and transparent rules will allow municipal officials to correctly anticipate the financing conditions for their projects and make the appropriate decisions with respect to their development priorities.

National authorities appear to have just as much difficulty in understanding the conception and conduction of public politics in a decentralized context as in viewing a piece of “modern art”.

**Three other challenges to be faced by those parties affected by the LPP**

Other general challenges must also be taken into account. The special option adopted by Bolivia – that decentralization be implemented simultaneously on the municipal and departmental level – is less common and thus raises exactly the problem of which priority should be given to the two processes which influence each other mutually for the better and for the worse. Apart from the question of allocating rare financial resources to initiate decentralization on two administrative levels, the burning issue is which political-administrative organization must preside to achieve coherent, efficient and balanced management of the two initiatives.

Considering both sides of the LPP – on the one hand, it is a government offer to promote social participation and on the other hand, it is a sovereign decision made by the State of Bolivia to



municipalize – its implementation must meet two different types of dynamics which in the end may result in an especially disturbing situation. Actually, considering the benefit of some possible inactivity and political and administrative passivity, one cannot exclude a scenario in which social participation may exist without the administrative management capacity in small rural municipalities. The opposite situation, in which administrative management capacity exists without social participation, may occur in the larger urban communities.

Finally, the main variable in the long term (the next 10 to 15 years) which will influence the decentralization setup, is the political will and resulting attitude of the central administration to realistically promote this reform. Experiences dating back to the years 1994 to 1997 have demonstrated its major importance and its enormous power.



### **Some lessons drawn from the current decentralization process**

Now let us turn to some determining factors in the development and dynamics of decentralization in Bolivia. The question of knowing which recommendations should be formulated for the future and what may become of the posed challenges remains open.

#### **Decentralization in Bolivia as a collective endeavor**

Decentralization in Bolivia was essentially the fruit and consequence of a long historical process and not of an institutional adjustment managed by a “meticulous institutional engineering project”. It resulted from a long process of social mobilization, linked closely to the process of recovering democracy, especially

in the 1970s, culminating in 1982 with the restoration of a democratic system. This social mobilization systematically called for decentralization of the central government, contrary to a good number of other national processes of decentralization promoted and/or imposed by the central government and/or by multilateral cooperation agencies. It is also the principal factor which can explain the balance which exists between:

- its own characteristics and original decentralization characteristics, particularly, for example, the institutionalization of social involvement and articulation of facts between civil society and the central government and simultaneous decentralization at the departmental and municipal levels
  - the power of political determination which governs its launching, and
  - the extent of popular support for this new government form.
- This balance is certainly a distinguished trait of the Bolivian decentralization model.

### **The fundamental importance of political motivation**

If the general climate was a fundamental reason for placing the question of decentralization on the political agenda of the country, it is also true that the current political determination was and remains a determining factor for realizing any such radical measure.

Consequently, in the Bolivian model political determination proved to be indispensable and irreplaceable for both the definition and approval of any legal decisions required for decentralization and its implementation. Without it, it would be an illusion for us to think that we could face all affected interests, including those of the national authorities responsible for decentralization, as well as those assigned with its implementation.<sup>25</sup> Only political determination can effectively compensate for a certain lack of

financial resources and guarantee the necessary creativity and courage for its implementation, especially by ensuring that “the right people are at the right place at the right time”. This political motivation should also promote a minimum of coordination between public entities, cooperation agencies and private development entities.

### **Social support thanks to the benefits of decentralization**

The LPP enjoys a degree of social support without precedence in the history of the Bolivian legislature. At this point, I would like to emphasize the central role – played at the moment of conception and implementation of the LPP – by the definition and the emphasis on the specific benefits of decentralization which were immediately visible by the civilian population and which responded to the latter’s strategic needs. Thus to the main author of the LPP<sup>26</sup> it was clear from the beginning that a measure of this proportion must count on very strong popular support in order to effectively counterbalance the many interest groups opposing radical decentralization. Nothing else except these changes together with financial resources<sup>27</sup> could give the civilian population real power.

### **Municipal dynamics as a determining factor in implementing the LPP**

Evaluating the implementation of the LPP enabled us to show the critical importance of municipal decision processes. Consequently, in cases in which the LPP moved itself completely and irreversibly into a position conforming to its spirit, and where municipal initiatives appeared which extended the scope of the LPP<sup>28</sup>, we see municipalities in which a climate of agreement predominates among the main participants. Actually, the preexisting good relations between the different public and private actors per-

mit their complete involvement actively and positively, resolving the inevitable conflicts which can arise in municipal management – conflicts accentuated by powers recently conferred on municipal governments.

The reinforcement of the administrative municipal capacity also has the most durability in such cases, mainly due to stable administrative personnel.

On the other hand, municipalities which live through deliberate confrontations between the involved parties (unfortunately the most frequent case) are also those who have experienced the most serious infringements of the LPP (for example, the systematic exclusion of ethnic groups) and where the precariousness of municipal administrative capacity is the most visible.

This would allow us to pretend that implementation of the LPP first depends on the municipal dynamic and not mainly on the efforts and support of the central government and other public (cooperation agencies) or private organizations (NGOs).

### **The fundamental gamble with decentralization**

Finally, one essential precondition for the success of the current active decentralization process in Bolivia is the conviction that local participants have the capacity and sufficient political determination to manage their responsibilities plus the financial resources and institutions put at their disposal. Without fulfilling this precondition it is difficult to even imagine the existence and success of decentralization today and in the future. This is a gamble – and one must define it as such because it is based on acknowledging the total bankruptcy stemming from more than 150 years of centralized administration. It is also an important dimension belonging to this decentralization model.

The financial consequences of the LPP are shown in the following table:

<i>in millions of US\$</i>	1993	1994 a)	1995 b)	1996	1997
Transfer to municipalities	\$ 52	\$ 86	\$ 137	\$ 161	\$ 184
Transfer to rural municipalities	\$ 4	\$ 41	\$ 83	\$ 98	\$ 112
Own resources of 13 municipalities; c)	\$ 38	\$ 52	\$ 68	\$ 18	—
Total national public investments	\$ 480	\$ 513	\$ 520	\$ 540	\$ 611 d)
Central government investments as percentage of total public investments	80%	79%	62%	42%	40%
Total municipal investments	\$ 2	\$ 40	\$ 118	\$ 117	\$ 118 d)
Number of municipal projects	—	3,700	9,600	—	18,000

- a) year of LPP promulgation
- b) first year of LPP's complete application
- c) the country's 13 most populated municipalities
- d) amount budgeted

Principal Source: "Bolivia, Participación Popular en Cifras", vol. II, Secretaria Nacional de Participación Popular, La Paz, Bolivia, 1997.

*(translated from French)*

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<sup>1</sup> Approved on April 20, 1994; 39 articles.

<sup>2</sup> Approved on July 28, 1995; 29 articles.

<sup>3</sup> It is important to note that the regulations for these two laws were issued immediately after their respective enactment, by using all legal instruments necessary to have them applied. This is a well-known exception and determining factor in practical Bolivian legislature.

<sup>4</sup> The LPP corresponds to political decentralization in the sense of how it handles the transfer of legislative competencies on a municipal level.

<sup>5</sup> This strategy, which gives priority to the municipal level, represents a radical change of direction compared to all solutions proposed prior to 1994 which only accented decentralization on the department level based on prefectures.

- <sup>6</sup> The LPP only watches over one recognized organization for a given territory which is defined by the organizations themselves. Only members of civil society are entitled to define the organization which represents them and which can seek recognition by the Bolivian State in order to enjoy the rights conferred by the LPP. Other forms of social organizations focused on the protection of sectorial interests, such as producers, trade union organizations, etc., are not entitled to the benefits of any rights conferred by the LPP.
- <sup>7</sup> One must remember that the majority of the Bolivian population are natives (the highest number in Latin America), who were not recognized by the country's Constitution until 1994.
- <sup>8</sup> Before the LPP, only about thirty municipalities had a legal and realistic existence. They did not even cover one percent of the country's total surface, and were strictly urban in character.
- <sup>9</sup> Only fifteen percent of the funds transferred from the government at the centrally defined level could be used for municipal administration functions.
- <sup>10</sup> Prior to the adoption of the LPP, the country's control system qualified each of the nine departments of the country to have a prefecture, assigned with internal security and police, and a development corporation which based on delegation would essentially fulfill the tasks of designing road infrastructures or of diverse other sectors. These entities, created by a military government at the beginning of the 1970s, had a very clear corporate orientation, depending uniquely on financial transfers from the national government.
- <sup>11</sup> Development corporations are then dissolved and "replaced" by the new prefectures which receive all their former responsibilities and resources and transform themselves into a unique power in each department.
- <sup>12</sup> National elections unmarred by any irregularities, such as those at the time of previous elections which took place in the country's only urban municipalities.
- <sup>13</sup> July 1, 1994.
- <sup>14</sup> The LPP proposes an original system of fund transfers to municipalities who prevent any possible interference by the national executive and who guarantee regularity, permanence, transparency and irreversibility of the transfers.
- <sup>15</sup> Prior to the LPP, the new department capitals would receive practically all transfers from the central government in favor of the municipalities; in 1993, 92 percent of these transfers (totalling US\$ 52 million) was destined for them, while they concentrated only on 39 percent of the Bolivian population.

- <sup>16</sup> For more details see “Bolivia: la Participación Popular en cifras”, vol. II, Ministerio de Desarrollo Humano, Secretaría Nacional de Participación Popular, La Paz, 1997, and “La Participación Popular, très años después: una evaluación-aprendizaje”, Gonzalo Rojas and Laurent Thévoz, coordinators; Vice-Ministerio de Participación Popular, La Paz, Bolivia, 1998. Certain estimates presented are essentially qualitative because it is difficult to analyze 311 different municipal situations. However, they were planned with many participants who are directly implicated by the implementation of the LPP in the framework of its evaluation.
- <sup>17</sup> It is essential to say that decentralization was never at any moment a means or an instrument to rebalance the accounts of the Bolivian State and to face up to its public financial deficit, as was the case in many other countries.
- <sup>18</sup> The municipal districts are united territories which are subdivided into municipal jurisdictions. They are demarcated and were created by individual municipal governments for the purpose of reconciling the following three objectives: a) recognizing the unique situation of numerous ethnic and cultural groups in the country, b) compensating for any disorder created by an often absurd local political-administrative division, and c) organizing the benefits of public health care and educational services for each territory.
- <sup>19</sup> Accompanied and promoted simultaneously by investments cofinanced by exterior sources (donations and loans).
- <sup>20</sup> See the table on the last page of this document.
- <sup>21</sup> The objectives of the LPP are clearly signaled by the mention of simultaneously improving the living conditions of Bolivians and perfecting democratic representation through participation.
- <sup>22</sup> This corresponds to a national responsibility clearly established by the LPP.
- <sup>23</sup> In application of the subsidiary principle, which was increasingly mentioned in national political documents but rarely applied.
- <sup>24</sup> With respect to the degree of development, financial transfers defined by the LPP only take into account the population, and nothing else, as a criteria for reallocation. The most developed municipalities thus receive proportionally as much as the most poor municipalities.
- <sup>25</sup> The adverse and difficult consequences, which arise from the fundamental contradiction that the central administration is obligated to promote the strengthening of decentralized authorities at the expense of its own bureaucratic interests, cannot be stressed enough.

- <sup>26</sup> The president of the Republic, Gonzalo Sanchez de Lozada, likes to refer to Machiavel to show that the social milieus affected by the reforms immediately perceive the prejudices of these reforms and are very well organized to defend their interests, while those who benefit not only are dispersed and weakly organized, but also tend to perceive only very slowly the positive consequences of the reforms.
- <sup>27</sup> "When money talks, people listen.": This is a free translation of a quote from the President of the Republic, Mr. Gonzalo Sanchez de Lozada, during the promulgation of the LPP ("Cuando el dinero habla, la gente escucha.").
- <sup>28</sup> For example, by accepting responsibility for domestic care and by agreeing to the traditional midwives to care for pregnant women and young children in the framework of social insurance made possible by the LPP.