

# USAID/OTI Bolivia Field Report

January-March 2006

---

## Program Description

In March 2004, USAID's Office of Transition Initiatives (OTI) launched its Bolivia program to help reduce tensions in areas prone to social conflict and to assist the country in preparing for key electoral events. At the time, Bolivia was experiencing heightened political unrest following the resignation of President Gonzales Sánchez de Lozada, in addition to increasing demands for regional autonomy from several departments. OTI's activities sought to improve access to balanced information on issues of national importance; promote peaceful participation and economic opportunity in marginalized areas; and conduct civic education and leadership training in support of Bolivia's emerging indigenous leadership. Through 2005, OTI committed over \$8.2 million to 240 projects, which were implemented in collaboration with civil society organizations indigenous groups, and local and national government bodies.

The general elections in December 2005 included, for the first time, the popular election of prefects (i.e. governors), making decentralization one of the key transition issues now facing the country. In response to the new political dynamic, OTI retargeted its program to reflect the needs of a country engaged in a process of expanding regional authority. OTI activities are aimed at building the capacity of prefect-led departmental governments to help them better respond to the constituencies they govern. OTI will also continue to work closely with indigenous groups to increase access to, and participation in, Bolivia's political system. Through March 2006, OTI committed over \$8.6 million to 255 projects through our partner Casals and Associates, which were implemented in collaboration with civil society organizations indigenous groups, and local and national government bodies.

## Country Situation

Bolivian President Evo Morales Ayma and Vice-President Álvaro García Linera celebrated their landslide victory in December's general elections with a traditional Aymara ritual at the *altiplano ruins* of Tihuanaco on January 21. A more formal presidential inauguration attended by numerous foreign dignitaries was held the following day. The twin ceremonies capped a two-week, pre-inauguration tour of world capitals, during which Morales sought to build support for his new government and reinforce bilateral ties with key African, Asian, European and South American nations.

Following his inauguration, Morales quickly consolidated the hold of his Movement to Socialism (MAS) political party on the various branches of Bolivian government. Among the Presidential appointments to the cabinet of ministers was the Abel Mamani Marca, former head of the El Alto Federation of Neighborhood Associations (FEJUVE), as head of the created Ministry of Water, and Andrés Solíz Rada, journalist and nationalization advocate, as Hydrocarbons Minister. MAS's overall success during the December elections translated into positions of leadership in Congress as well. MAS party candidates won 85 out of 157 seats in the Senate and House of Deputies, and MAS lawmakers were named as presidents of the respective legislative bodies.

During its first three months, the Morales Administration focused on two issues that were also central themes of the presidential campaign: rewriting of the Bolivian Constitution, and nationalization of natural resource industries such as hydrocarbons and water services. After reviewing a series of proposals from the executive branch and opposition groups, Congress announced on March 4 that a national referendum on Departmental Autonomy and the election of delegates to the Constituent Assembly would be held on July 2.

While the referendum provides citizens in each department with the right to vote for increased administrative, financial and internal security-related "autonomy" at the departmental government level, the details of that autonomy will be established by the Constituent Assembly. The Assembly delegates will have 12 months to complete the task of rewriting the Constitution. Any draft constitution must be approved by a two-thirds majority of Assembly delegates, and then by a national vote requiring a simple "50 percent plus one vote" majority of citizens for final ratification. If an absolute majority is not achieved, Bolivia will revert to its existing Constitution.

The Morales Administration is gradually developing a series of measures and norms to govern the undefined relationship between popularly-elected prefects - still operating largely under the authority of the President - and the central government, during the interim period leading up to the ratification of a new Constitution. While coordination between the prefects was originally organized through MAS Prefect David Sánchez from Chuquisaca, six of the nine prefects – not including the three prefects from the MAS party – met to discuss a proposed Supreme Decree drafted by the Morales Administration. The Decree would set the legal parameters of the GOB-prefect relationship. At the meeting, the prefects announced the formation of a "National Council of Prefects." The Council will discuss coordination of departmental concerns, the impact of a presidential decree on departmental budget and prefectural powers, in addition to the Constituent Assembly and the Autonomy Referendum.

On the nationalization issue, Hydrocarbons Minister Soliz announced that the Morales Administration would seek to change the hydrocarbons law, passed by Congress in May 2005 after a debate that polarized the country and contributed to the resignation of President Mesa. Soliz suggested that the new bill would further strengthen the national hydrocarbons agency, YFPB, and "improve" terms and stipulations related to prices and fiscal control of petroleum earnings. In this vein, the Bolivian Chamber of Hydrocarbons announced its agreement with a government plan of "nationalization without expropriation" of the hydrocarbons industry.

The Minister said, "The hydrocarbons law states that all businesses in the country are national and subject to national jurisdiction. Any firm not recognizing this constitutional principle can leave." Four hydrocarbons companies have sent various notes to the Government in protest and are still considering the possibility of international arbitration.

Morales has also demonstrated his intention to aggressively address not only existing and future challenges faced by Bolivia, but also what he views as past wrongs. Under his administration, new indictments have been leveled by Bolivia's Attorney General against the four most recent Bolivian Presidents - Carlos Mesa Gisbert, Jorge Quiroga Ramírez, and Gonzalo Sánchez de Lozada for "the illegal signing of contracts with hydrocarbon companies that operate in Bolivia." In addition, the Attorney General brought an indictment against Eduardo Rodríguez Veltzé and other officials and armed forces chiefs, for alleged involvement in the "scandal" involving the destruction in the United States of 28 Chinese-made missiles in October. Following the destruction of the missiles, which had been the only arms of their kind in the Bolivian military's arsenal, Morales accused the Rodríguez government of "putting Bolivia under foreign domination."

## OTI Highlights

### A. Narrative Summary

After an active final 10 weeks of 2005, during which OTI/Bolivia implemented 19 grants totaling \$1,034,850 in support of Bolivia's general elections, the program's level of activity slowed significantly. During the first weeks of 2006, the US Mission took time to reflect on its portfolio and priorities. In February, based on requests from the prefects and other stakeholders, OTI/Bolivia retargeted its program to provide support to fledgling regional governments. While decentralization has been a top priority of many political parties, civil society, and democracy advocates in Bolivia for two decades, the focus has been on Bolivia's 327 municipal governments, which have significant responsibilities and competencies.

The historic election of prefects (formerly named by the Central Government) has raised public expectations regarding decentralization and increased pressure for departmental governments to exercise more authority and respond to regional interests. The departmental governments face many challenges in consolidating their new administrations including an uncertain legal framework, limited resources, poorly institutionalized systems and lack of experienced staff. However, these departmental governments also have an unprecedented opportunity to demonstrate that decentralization can address the country's distinct needs while improving government services. As the Constitutional Assembly makes fundamental decisions regarding the future and nature of decentralization, OTI will assist prefects in this critical period to establish transparent, effective administrations.

OTI's retargeted program strategy is designed to:

- Support the decentralization process through technical assistance to departmental governments; and
- Promote linkages between indigenous groups and democratic structures at local and regional levels

OTI will continue to foster community participation and support information diffusion activities on national issues in EI

Alto, the *altiplano*, and other rural areas of Bolivia.

## B. Grants Activity Summary

Since January, OTI has approved 11 projects for \$397,000 in support of the decentralization process through strengthened departmental governments. OTI is currently working with the prefectures of La Paz, Cochabamba, Tarija, Santa Cruz and Chuquisaca to provide training to prefecture staff in planning, budgeting and project management. OTI projects will also improve institutional capacity related to financial and administrative systems, transparency mechanisms, communications, outreach and other key areas.

OTI has also approved four projects totaling \$241,000 in support of linkages between indigenous groups and democratic structures. By working through traditional indigenous structures to provide information on themes like decentralization, citizen participation and the Constitution, these activities build on OTI's previous work with both highland and lowland indigenous groups. The projects include youth-focused leadership training components that provide participants with community organization, speaking, conflict management and entrepreneurial skills. They also seek to support engagement of traditionally marginalized indigenous groups in the political process both in the short term and the future.



Many projects are being implemented in collaboration with prefectures, focusing on issues such as consensus building on local economic development priorities or decentralized service provision. OTI is currently supporting projects to provide leadership skills and information on issues of national and regional importance in the departments of Santa Cruz, Potosi, and La Paz. For many of these projects, the prefectures are providing a significant financial and human resource counterpart.

USAID/Bolivia Mission Director Michael Yates hands out certificates of appreciation to the head of a local parent-teacher association whose members contributed their time and efforts to an OTI-funded school rehabilitation project.

SECTOR	New Grants in this Quarter (January-March 2006)		Total Grants Cleared (March 2004 -March 2006)	
	Grants Cleared	Amount (\$)	Grants Cleared	Amount (\$)
Departmental Government Strengthening	12	\$443,600	12	\$443,600
Linkages between Indigenous Groups and Democratic Structures	4	\$241,000	4	\$241,000
Community Development and Economic			88	\$2,974,429

Opportunity				
Civic Education for Emerging Leaders	1	\$33,100	24	\$719,090
Information Diffusion and Dialogue			91	\$3,429,943
School Reconstruction and Education	1	\$31,100	38	\$1,012,712
<b>Total</b>	<b>18</b>	<b>\$748,800</b>	<b>257</b>	<b>\$8,820,774</b>

### C. Indicators of Success

OTI inaugurated several high-profile school rehabilitation projects in the Department of La Paz during February and March. The events celebrated the installation of computer laboratories, rehabilitation of classrooms, distribution of new classroom furniture and the setting up of new libraries at dozens of schools in El Alto and large municipalities in two rural provinces in the *altiplano*. The projects, developed in collaboration with municipal officials, school staff and members of parent teacher associations, benefited thousands of students at public schools that until now lacked the infrastructure and space to meet basic academic needs.

The successful public celebrations provided an opportunity for both Bolivian government officials and members of the press to see first-hand that collaboration between the US Mission and Bolivian citizens are appreciated in local communities. The inaugurations also serve as a positive contrast to the majority of news reports suggesting that Bolivians are unhappy with the US presence here. During a recent event in the Municipality of Achacachi, the Mayor, in thanking Ambassador Greenlee for supporting an isolated community that has received little help in the past, said of the project, "this is a gesture of brotherhood that helps connect Bolivia to the US and to the world at large."

### Program Appraisal

Bolivians have advocated strongly for decentralization of government since 1985. However, most of the devolution of administrative responsibility and other central government competencies has been focused on the municipal level through institution strengthening and training programs financed by USAID and other international donors. With the upcoming Autonomy Referendum and Constituent Assembly, competencies related to administration of financial resources, management of police and regional security, and other key norms are now expected to be passed down to departmental governments.

In the past, prefects were little more than hand-picked, figurehead representatives of the central government. Now, with popularly elected prefects, the push by several departments in 2005 for autonomy and recognition that the decentralization process is incomplete, the pressure on departmental governments to show results has increased quickly without a corresponding increase in institutional capacity. Although much of the legal framework is undefined and still being negotiated, the expectations of the populace for responsiveness of their elected authorities are high.

In this context, OTI has responded quickly to provide technical assistance to the prefecture governments. While other donors are helping the prefects with long-term development strategies and other initiatives, OTI's assistance will help the prefectures establish procedures, plans and train staff so that their administrations are immediately functional. Within one month of the beginning of their tenures, OTI had set up a mobile team of sectoral experts to work with prefectures on strategic planning and operationalization of information management, communications and financial systems. The teams are working alongside prefecture personnel to provide training and human resource capacity. They will expand the ability of prefects to administer government and respond to needs while their bureaucracies develop and staff is appointed to key positions. Finally, OTI is helping prefects identify, prioritize and implement visible, high-impact activities quickly to demonstrate responsiveness in the immediate term.

### Next Steps/Immediate Priorities

OTI will continue to work with departmental governments to help them increase their visibility and ability to respond to the needs of their constituencies in advance of key upcoming democratic processes. Upcoming events include the final inauguration for a series of OTI-funded natural gas installation projects in Districts 2, 3, and 6 of El Alto. Several important government officials, including La Paz prefect Jos é Luis Paredes, are expected to attend. The gas projects have benefitted over 50,000 students and community members throughout El Alto.