

# USAID/OTI Bolivia Field Report

Oct - Dec 2006

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## 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.

For the first time, the general elections in December 2005 included 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 December 2006, OTI has committed over \$12 million to 342 projects through our implementing partner Casals and Associates. These projects were implemented in collaboration with civil society organizations, indigenous groups, and local and national government bodies.

## Country Situation

Political developments in Bolivia during the year's final quarter continued to be driven by three major themes - the Constituent Assembly, the growing power struggle between the executive branch and Bolivia's regional governments, and U.S. - Bolivia relations. The period was marked by further polarization between the ruling MAS party and the political opposition, resulting in an escalating campaign of accusations, threats, measures. Hunger strikes, increasingly violent demonstrations, and other measures adopted by opposing social sector, indigenous, and pro-business interest groups, led the Bolivian media and political analysts to declare the country's Constitutional order at risk, and raised the specter of intervention by Bolivia's armed forces. President Morales' popularity soared during the three months, rising from 50% to near 70%.

On October 3, the Constituent Assembly approved a package of articles laying out the assembly's rules for debate. The vote marked a brief step forward for the assembly after weeks of failure by the 255 delegates to reach agreement on even basic procedural issues. But the competing parties remained deadlocked on the most critical voting rule - on whether the assembly would approve changes to the Constitution by a simple majority, by a two-thirds vote, or by a mixed voting system that would depend on the constitutional article under consideration. A simple majority would allow the 137 MAS party delegates (54% of the assembly) to approve party-line proposals without the need to compromise with any of the opposition groups.

With the opposing political blocs refusing to cede any ground, the MAS delegation on November 16 pushed through its proposal requiring only a simple majority for approving articles. The move set off a predictable angry reaction from opposition blocs, which said that the absolute majority rule makes their presence in the CA unnecessary. Opposition parties and other groups around the country initiated hunger strikes - which in a matter of days multiplied in size to include over 2,500 strikers - in opposition to the MAS action. Despite signs in December that MAS was open to reconsidering the voting rule, tensions over the 2/3rds versus simple majority issue persisted through year's end.

On November 29, the MAS party succeeded in pushing through Congress approval for a controversial new land reform law that allows the government to redistribute land that it deems "unproductive," and is expected to favor groups of indigenous farmers in Bolivia's lowland eastern region. The MAS version of the law had been stuck in Congress as senators from PODEMOS and Unidad Nacional (UN) boycotted the Senate to prevent formation of a quorum. The MAS managed to persuade three "alternate" opposition Senators ("alternate" positions are common in

congresses throughout Latin America) to be present at debate for quorum and also to vote in favor of the MAS proposal. Large landholders, many of whom are represented by important private-sector business associations, staged large protests and blockades in response.

Also in November, the Morales Administration drafted and sent to Congress for approval a new bill that would drastically limit prefectural powers, and facilitate their sanction by Congress and subsequent removal from office by the President. If approved, the law would force prefects to have all activities and public works, whether funded through the national budget or by international donors, approved by the GOB.

The national conflict between supporters of the governing party and opposing interests began to reach a critical mass in mid-December when the Eastern lowland departments of Santa Cruz, Tarija, Beni, and Pando, led by non-MAS prefects (governors), joined forces to stage massive "town hall" rallies to protest MAS party actions in the Constituent Assembly and the Congress, and by the executive branch. Some MAS officials viewed the rallies as calls for "secession," and the resulting feud led the head of the military to say that it would defend Bolivia's union with force, if necessary.

**U.S. - Bolivia Relations:** The U.S. Congress in December approved a six-month extension of the Andean Trade Preferences and Drug Enforcement Act (ATPDEA) for Bolivia, Columbia, Ecuador, and Peru. The extension, which also provides for an additional twelve-month extension should Bolivia make substantial progress toward an acceptable free trade agreement with the U.S., will keep 90,000 Bolivian export-industry workers employed while long-term trade issues are resolved. During the first three months of his term, new U.S. Ambassador Philip Goldberg pledged to work closely with the administration of Bolivian President Evo Morales to strengthen diplomatic ties, saying, "[Bolivia] must decide if it wants to be not only a strategic partner with the U.S. but a friend as well." The government announced that it will send a delegation to the U.S. in January to discuss a "fair and sustainable" trade agreement.

## OTI Highlights

### A. Narrative Summary

During the fourth quarter, OTI continued to build on its portfolio of activities designed to strengthen the institutional capacity of departmental governments. OTI is now implementing projects in coordination with all nine departmental governments, most recently collaborating with the prefectures of Beni, Pando, and Oruro. OTI has approved 77 grants for \$2.9 million to help departmental governments operate more strategically, improve service delivery and outreach to both urban and rural indigenous communities, and help prefects become successful promoters of regional economic development. The projects provide technical support and training for prefecture staff in the areas of strategic planning, budgeting and project management, financial management, transparent administration, communications and outreach.

### B. Grants Activity Summary

During the fourth quarter, OTI approved a total of 27 projects for \$1,004,400. Several of the new grants focus on prefecture efforts to create jobs and further local economic development. OTI is helping the Prefecture of Tarija, for example, join forces with Bolivia's largest certified exporter of fine gems, Gemas Meyer, to train and organize 600 workers into 100 certified, sustainable micro-enterprises that will process uncut gems for the exporter. Gemas, which already has a long-established export market in the U.S., Japan and Mercosur, would be able to meet a significant untapped demand with the new Prefecture-trained labor pool, and will pay the micro-enterprises a minimum of \$300 per month under the agreement.

A new OTI activity being implemented in collaboration with the prefecture of Oruro's Department of Social Development will rehabilitate four institutions serving the needs of 200 at-risk youth. The centers provide productive skills in baking and sewing to enable them to have a better chance of living normal lives in the future. The grant will also fund training courses in basic computer and internet skills.

Another new project, implemented in collaboration with the Prefecture of La Paz, the Universidad Catolica Boliviana (UCB), rural municipalities, and another USAID project supporting private sector growth, will help bridge the information technology divide between rural indigenous populations of the altiplano, and the world-wide web. The UCB operates rural technical training schools which serve as academic training grounds for indigenous youth, primarily focusing on agro-business that benefit from USAID technical assistance. Currently these schools and the

surrounding communities have limited internet access due to weak bandwidth and the high cost of internet services. OTI financed the purchase of basic infrastructure to ensure that high-speed internet access reaches the communities of Tihaunacu, Batallas and Pucarani and the UCB schools in those communities. In addition, the prefecture is funding 40 new scholarships for indigenous youth to study at the technical schools. The project helps strengthen linkages between the prefecture and rural communities.

SECTOR	New Grants in this Quarter (Oct-December 2006)		Total Grants Cleared (March 2004-September 2006)	
	Grants Cleared	Amount (\$)	Grants Cleared	Amount (\$)
Departmental Government Strengthening	10	\$352,800	51	\$1,852,880
Linkages between Indigenous Groups and Democratic Structures	1	\$33,400	7	\$334,800
Community Development and Economic Opportunity	6	\$160,700	104	\$3,423,829
Civic Education for Emerging Leaders	0	\$0	27	\$821,790
Information Diffusion and Dialogue	2	\$116,400	103	\$3,969,553
School Reconstruction and Education	8	\$341,100	50	\$1,541,612
<b>Total</b>	<b>27</b>	<b>\$1,004,400</b>	<b>342</b>	<b>\$11,944,464</b>

### C. Indicators of Success

**Social Inclusion in the Historic Department of Potosí** - With OTI assistance, the Prefecture of Potosí, a culturally rich city and region located high in the Andean mountains, has incorporated effective ways to reach out to remote rural municipalities, and Quechua-speaking indigenous communities that have made a home of the South American highlands for hundreds of years.

Many citizens living in the remote department understand neither the role of local government nor the benefits they can expect from state social services. OTI worked with the prefecture to carry out an information campaign on prefecture competencies and functions, and on how citizens can access departmental services. The campaign used TV broadcasts in the capital, written materials and radio messages in Quechua to reach more remote communities. OTI and the prefecture have also collaborated on sustainable job creation activities, rehabilitation of orphanages, youth and drug rehabilitation that support more than 500 Potosinos and a teacher training program for 800 teachers.

Despite a lack of resources and competing demands, the prefecture has demonstrated a strong commitment to furthering transparent governance, institutionalizing good practices and responding to the needs of its constituency.

**Improving Local Government Outreach in Cochabamba** - In coordination with the Prefecture, OTI developed a new Community Outreach and Economic Development Information Room (SIEC) in Cochabamba that has helped strengthen the prefecture's role as a key source of critical information about regional economic development. SIEC personnel developed an economic development-related database of information about public works projects and regional market activity, and are providing dozens of reports to visiting stakeholders. The SIEC also coordinates with

municipalities throughout the department to promote participation of local economic actors in department-wide business fairs and artisans markets held in the department capital. OTI provided technical assistance for SIEC staff and computers to equip the new information room, which has helped organize three artisans fairs and provided information to over 200 municipal officials and local producers during its first three months of operations.

**Helping Departmental Government Staff share Best Practices** - OTI has developed an innovative training program for technical staff from all nine departmental governments that brings together personnel that share areas of technical expertise. The "National Working Group" seminars promote inter-prefectural collaboration, establish consistency through "model" operating plans and services "menus", and provide a forum for the sharing of lessons learned and best practices.

During an OTI-funded seminar held in November for departmental economic development officers, participants formed a committee that will share regional market developments and lessons learned on a continual basis. In December, OTI funded a workshop for directors from the Human and Social Development Divisions of each prefecture to both discuss education and public services activities that they are implementing in their respective departments, and to participate in public administration-related capacity-building exercises. Agricultural development officials from the prefectures reached consensus on a proposal that would reform agriculture sector norms based on best practices, during a two-day workshop held in October.

The proposal has been presented to the Ministry of Agriculture for consideration, and the working group will now meet with Ministry officials on a regular basis. OTI also brought together financial management personnel from the nine prefectures; through sharing of best practices, participants developed a system that streamlines the various public investment and other budgetary processes within each departmental government. The personnel say that they are now executing prefectural budgets more efficiently, and through multi-annual investment planning, and are able to avoid the cost overruns and shortfalls that plagued their work previously.

## **Program Aprasial**

With an eye towards sustainability and the program less than 6 months from closeout phase, OTI/Bolivia is focused on building its portfolio of projects that encourage participation and leverage counterpart funding from other donors and USAID projects, and pilot projects that can be easily replicated by beneficiaries. An innovative job-creation project, piloted in Tarija, has created over 50 microenterprises for the maintenance of highways in 7 departments, and plans for expansion in 2007 are already under way. The program is now developing new economic development projects for implementation and replication. OTI is coordinating with a Netherlands-funded aid organization that will base its future assistance to departmental governments on prefectural strategic agendas that were developed by OTI-funded experts.

OTI is also coordinating with the USAID/Bolivia Democracy Team's new Institutional Strengthening and Decentralization program to establish areas of complementarity and identify appropriate programmatic areas for handover. Staff from the new USAID project will attend key meetings and co-habitat with OTI-funded experts based in each of Bolivia's nine department capitals that are implementing the programs departmental government strengthening activities. Officials from the new project are already sitting in on OTI project development and approval meetings in La Paz.

## **Next Steps/Immediate Priorities**

OTI's acting director and regional team plan to visit the program in January. OTI/Bolivia is already planning for the program's 3-month closeout phase, which begins July 1. The program has scheduled a strategy session for early February during which OTI field- and Washington-based staff will develop an closeout action plan with the Casal's & Associates team. OTI will continue to develop new projects through June.