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TECHNICAL REPORT

**ASSESSMENT OF LOCAL GOVERNANCE, MUNICIPAL DEVELOPMENT AND DECENTRALIZATION
ACTIVITIES IN LATIN AMERICA**

Written by:

James A. Van Fleet
Patricia W. Lowe
Harry Jager

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ABSTRACT

A regional project in democratization is recommended to support continuation of democratic development in Latin America. While the countries of the region have all made progress toward reforms which are supportive of democratic initiatives, improved municipal governance and decentralization, they have done so with widely differing levels of political and societal penetration. A regional project will address the imbalances which exist among the various countries.

The Assessment Team which reviewed the need for such a project during the period January-March, 1997 is unanimous in its recommendation that USAID continue its leadership role by initiating such a project, based on its expertise, its long standing reputation in the democratization field, and the respect with which its activities are regarded in the region. The team concludes that two project components be developed into a new 5-10 year program:

- 1) a local government element, targeted primarily to municipalities, with special programmatic features for increased openness in all elements of governance, financial transparency and citizen participation and involvement; and
- 2) a national government emphasis to promote fiscal decentralization and local government finance reform, decentralization of power, and a democratization of political parties.

Ideal USAID entities to lead this ambitious effort include the Latin American and Caribbean (LAC) Bureau in combination with the Regional Housing and Urban Development Offices (RHUDO). A financial partnership with the Inter-American Development Bank would provide funding and bring the prestige of the bank to bear on both national and local government leaders. The team concludes that working through the existing structure and programs of the Central and South American International Union of Local Authorities (IULA) will help achieve project purposes on a regional basis while, at the same time, strengthening IULA's own constituents and affiliated organizations.

James Van Fleet, Team Leader
Patricia Love
Harry Jager, USAID/Guatemala

INTRODUCTION AND ACKNOWLEDGMENTS

The Latin American region's political culture has been transformed over the past two decades, and an accelerated rate since 1987. Countries have elected national leaders fairly and have developed systems at the local and departmental levels which have launched decentralization in a region long known for centralism.

This report summarizes the principal characteristics of the processes of decentralization in Paraguay, Chile, Peru, Ecuador and Bolivia, extrapolates from these countries a regional perspective, and provides a strong case for ongoing USAID leadership to continue efforts to promote democracy and governance. USAID has focused considerable effort through its LAC and Global bureaus to assist these processes, which encompass increased transparency, openness and citizen participation and lead to the development of a civic culture. USAID contracted Tropical Research and Development to assess the current status of decentralization processes in the region; the need for a five to ten year initiative in democracy and governance; to comment on the potential partners for such an initiative; and to note lessons learned from a recently completed USAID project in several of the countries. Between January 6 and 24, 1997, a three person team traveled to each of the five countries, to hold discussions with USAID staff, contractors of projects assisting the decentralization process, and a wide range of the public, including mayors, citizens, legislators, staff of municipal organizations, senior members of national governments and non-governmental organizations. James Van Fleet served as leader for the assessment. Team members were Patricia Love and Harry Jager. The team spent between 2 and 3 days in each of the five countries.

The report is presented in several primary parts:

- an executive summary which highlights the main findings of the assessment team;
- a statement of conclusions and recommendations which addresses the three key questions asked in the scope of work; and
- the five country and regional report of findings.

The assessment team wishes to express its gratitude to those who assisted with the interviews and related activities throughout their South American visit. Most particularly, the team thanks Mr. Paul Fritz, RHUDO/SA in Quito, who facilitated the visits to Paraguay, Chile and Ecuador, to USAID mission personnel in Paraguay, Peru and Bolivia, and to Mr. Todd Amani in the Washington D.C. LAC Bureau of USAID. Mr. Jager's services were made available to the team by the RHUDO office in Guatemala. Special appreciation also is due Mr. Raul Monte Domecq of CADEP, Mr. Mario Esquivel, Municipal Affairs Committee of the Chamber of Deputies, and Mr. Eligio Ruiz, Paraguayan Organization for Inter-Municipal Cooperation (OPACI), all in Paraguay; Mr. Julio Guerra Carrillo, General Manager of the Municipalities of Peru (AMPE), and Mr. Ricardo Mena Speck in the United Nations Department of Human Affairs office in Ecuador.

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EXECUTIVE SUMMARY

The Latin American region's political culture has been transformed over the past two decades, and at an accelerated rate in the 1987-97 period. Casting off undemocratic governments, it has elected national leaders fairly, and has developed systems at the local and departmental or state level which have launched substantial decentralization in an area long known for centralism.

USAID has focused considerable effort through its LAC regional and Global bureaus to assist this process, as well as the related activities of citizen participation, openness, transparency and diverse themes enhancing the bedrock of democracy; namely, a civic culture.

This USAID Assessment in five countries—Paraguay, Chile, Peru, Ecuador and Bolivia—was undertaken to answer the questions: should the Agency continue activities over the coming five to eight year period, pursuing such democratic initiatives? And if so, which partners—regionally, nationally and in the donor arena—should be involved in collaborative efforts?

The overwhelming findings of the Assessment Team were that the projects undertaken by USAID to date have been substantive to critical, contributing far more toward democratization processes than their dollar amounts would indicate. The results of studies, interviews and discussions point to the inescapable fact that Latin America is in a transition mode toward enhanced democracy at all levels of government, paralleled by new democratic capitalism and economic development which have been unleashed since the shackles of irrelevant Marxist-Leninist ideology and dependency theory have been broken. Latin America is joining the world with confidence in a democratic, free(r) market paradigm, the very bases of which USAID helped to establish over its many years of support.

The further processes of democracy-building, with particular reference to municipal and national government, should proceed with USAID in a continuing leadership role. An important question remains as to which organizations should be the in-country and in-region partners. There are several key activities that would take place under a future regional program that would build on the important steps already taken towards building a more democratic Latin America. Included amongst these are capacity building programs for municipal and local government to strengthen both individual organizations and networks or organizations, political party reform to increase popular participation, and fiscal reform to increase decentralization of financial control in order to enable municipal governments to become more viable.

Municipal development is becoming increasingly more important throughout Latin America. By the year 2000, over 80 percent of all South Americans will be urban-based. Cities are becoming the centers of innovation and progressive solutions to old problems and many are ignoring central governments because of their inability to respond rapidly and creatively to urban needs. In addition, national leadership is coming increasingly from local government. There are now several countries in which elected presidents have previously served as mayors or governors. This

phenomenon is indicative of progress in the general processes of decentralization and local democratization, wherein a citizenry recognizes and rewards competence and ability in a proven urban leader through election to a high national government position.

This assessment report concludes that virtually all arenas touched upon in its studies must continue to be addressed in a regional program throughout the Americas. Although individual countries are at varying stages of reform, a regional initiative would be well positioned to provide overall guidance in the areas while being able to address specific needs in individual countries, both "presence" and "non-presence." A regional initiative would also be best positioned to establish pilot programs for replication in additional areas as countries reach new stages of reform. Through a regional initiative, USAID would also be best positioned to enhance communication and the sharing of information between countries so that they may have better opportunity to learn from each other as well as from the U.S. example (a desire expressed on numerous occasions).

The report identifies various regional or sub-regional partners, as well as specific entities within several of the countries visited, and recommends in the strongest terms that USAID seek a financial partnership for ancillary programming with the Inter-American Development Bank.

In addition to a financial partnership with another donor, future USAID programming would be well served to identify a local entity with regional networks to ensure the sustainability after program implementation is completed. Currently, the most viable organization for this type of partnership is the International Union of Local Authorities (IULA). Although the IULA has weaknesses of its own, it is well-known with an existing structure and already possesses significant technical expertise and experience. The IULA would itself benefit from a USAID-led program through internal training, increasing its networks, and organizational development.

The Assessment Team recommends that USAID's effort not drain resources from its regional missions, but rather it encourages the LAC Bureau to seek other funding from the global or regional bureaus. The Team recommends that USAID's contributions incorporate the extensive and invaluable expertise of the RHUDO offices in Central and South America, as well as elements of the LAC Bureau (DI) and the Global Bureau's Democracy Center.

The Assessment Team concludes, with the weight of evidence of all parties interviewed, that USAID's continued involvement is pivotal for success in this arena, and predicts that the success of democracy in Latin America will be America's greatest contribution and legacy to the region in this and in the next century.

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STATEMENT OF CONCLUSIONS AND RECOMMENDATIONS

Given the focus of USAID on answers to the key questions in the Scope of Work, we have structured this section to present specific answers to the questions, followed by a section of recommendations.

1. Are there LAC country needs in the area of decentralization, municipal development and local governance projected over the next five to eight years that would best be met through a regional initiative?

Definitively, yes. The Assessment Team is unanimous in its endorsement for future programming in democratic initiatives in the LAC region. There are four principal reasons which plainly provide the underpinning for a region-wide program in the areas of decentralization, local governance, and citizen participation for Latin America.

To firmly establish reforms and democracy. Although the Assessment Team believes that the reforms enacted in the region are fundamental and irreversible, continuing to provide support for increased transparency, accountability, and citizen participation is essential. Because of the characteristics, practices and cultures which persist among political parties and a lack of will in central governments to promote decentralization, local authorities have not devolved major roles in decision-making processes to the citizenry, nor have adequate and sufficient mechanisms for transparency, been initiated.

To replicate and spread successful reforms. Local political reform to date has been most successful in stimulating electoral reform, permitting the citizenry to directly elect their local authorities, and in some cases, regional authorities. Increased citizen participation in decision-making, a long term project goal, has yet to be implemented in many countries in the region. Notably lacking is the application by the citizenry of direct democratic mechanisms including recall, initiatives and referenda. While these mechanisms will be used eventually, hastening the process is an achievable goal.

To incorporate democratic reform in other political organizations. Political parties, an expression of a democratic system to empower the people, are the least democratic institutions to be found in the region. Among their multiple faults are records of clientelism and outright corruption. While political parties are reformable, they must not maintain a stranglehold on the political life of a country, and should be reformed in a fashion which ensures openness to everyone in a national society. Political party reform is seen as an important and far-reaching program goal.

To develop capacity for financial and administrative reform. Reforms have been relatively rapid with little time to evaluate their impact and introduce alternatives or to proffer redirection of efforts to reinforce the major themes of democratization. There is an acute need to develop capacities in administrative and financial reform.



The issue of financial responsibilities for central and local government is "unfinished business." Financial decentralization, in the majority of countries, is dependent on central government transfers or minor collections for local government, without attention being paid to modern, fair, and creative mechanisms such as municipal bonds, to address the dire needs of municipal governments. There is also a tremendous need for administrative and business training for local and municipal officials. This, too, must be a continuing theme for a future project.

The team recommends that the future programming address needs at two levels:

- i) *local government*, particularly municipalities, with programmatic features for increased openness, transparency and citizen participation and involvement; and
- ii) *national government*, by promoting fiscal decentralization and local government finance reform, decentralization of power, and democratization of political parties

2. What regional institutions or information networks exist that have present or potential capability to address identified regional or sub-regional needs?

Existing regional institutions and information networks

Regional institutions, information networks and associations of municipalities are key to the success of any future programming to meet identified needs. However, the Assessment Team discovered that organizational structures for promoting key elements of democratic reform are weak in the main, and in some cases, only questionable salvageable. The country-by-country commentaries in the following section reflect the dilemma in clearly identifying "local/national partners" because of the inherent weaknesses found everywhere except Chile.

The regional entities that currently exist include the Central and South American International Union of Local Authorities (IULA/CA and IULA/SA), as well as La Red and select municipal organizations throughout Latin America. Many of these regional entities would be the focus of improvement goals of the project itself. Although the IULA has many weaknesses of its own, it is probably the best mechanism for USAID to use in implementing capacity building at the municipal level. It is apolitical, internationally-based (regionally based in Quito for South America), possesses significant technical expertise and experience, and is itself used by other entities such as La Red and MERCOCIUDADES. The IULA does have an existing structure and is well known, but the organization needs reinvigoration. La Red may also contribute to municipal development needs, but is more an informal communications network than viable entity that could adequately address these issues on its own. In more limited fashion, MERCOCIUDADES can assist. Central governments, too, must be co-opted to participate in all programming in some fashion.

Although the IULA itself will require support for assuming a large role in a future initiative, the organization is already regionally active and has contributed to the spread of democratic initiatives.

Future programming could benefit from the considerable technical expertise within IULA affiliated associations throughout Latin America and thereby facilitate the highly desirable cross-border sharing of experiences, experiments and successes in the process of problem solving within a democratic framework. Working through and supporting IULA will effectively allow Latin Americans to solve their own problems by using its area-wide capability to push for progress in all arenas in all countries through peer pressure and, when needed, engaging outside expertise. The benefit to the IULA would be the opportunity for internal training, increasing its networks and effective relationships within countries through USAID and IDB connections, and a delivering more effective strengthening to the various groups that make up its membership.

The Team proposes that to achieve future results on a regional basis, while at the same time strengthening the capabilities and municipal organizations throughout the region, the implementing team for future programming should include the IULA in a leading role.

USAID and its Role

USAID is seen as a rock of stability and continuity in much of Latin America. It has earned respect for its work in democratic initiatives. Consequently, its leadership in future efforts in the region is not only logical, but probably essential for success of any program.

USAID has funded and managed the majority of bilateral and regional projects focused on the decentralization/local governance themes where the outcomes have been designed to provide for reform and a redistribution of power. These projects have brought about fundamental structural and legal changes that have had far-reaching impacts in many countries. No multilateral lending agency has so addressed the field. Other donor entities have tended to look at "project" rather than "process" wherever democratization initiatives have been pursued.

The political process focus of USAID has permitted this Agency to acquire the experience, the broad-based network of contacts, and the deep understanding of political processes in the region, so necessary to carry on the work of democratization. As USAID activities have demonstrated, the local government arena is ripe for further reform, which is especially important since it is the regional and local government sectors which will propel national governments in the future.

Currently, eight USAID missions are engaged in programs of decentralization and governance, and/or citizen participation. Because of their experience at the municipal government level, the involvement of the RHUDO/SA and RHUDO/CA offices is essential for achieving desired results in any future activities. The necessary bases for future operations of a Latin American regional nature have been established through the RHUDO offices in the past. This remains true even in the Agency's current state of non-presence in many South American countries. USAID's LAC Bureau and the RHUDO offices have extensive experience in democracy initiatives throughout the region, and the credibility they have gained represents the greatest asset the Agency would bring to future programming in this arena.

Cooperation with Other Donors

Given the realities of diminishing resources and benefits gained from donor solidarity and collaboration, it will be desirable to seek partner institutions in future activities. The logical partner is the Inter-American Development Bank, which has clearly demonstrated an interest in moving toward direct support for local government evolution in all its dimensions. The IDB is beginning to deviate from exclusively providing loans to central governments, and is now working with regional governmental entities. Major municipalities are expected to follow in its loan portfolio. This new policy of regional and municipal support makes the IDB an outstanding candidate for a partnership in a new initiative. In its interviews, the team found enthusiasm for such a collaborative relationship.

Summary

Assuming a cooperative venture between USAID and the IDB would mean USAID would have its well-formed (and exceptionally well-informed) RHUDO offices, serving the entire LAC region, in addition to personnel in its active missions. Externally, it would have its multilateral partner, the IDB, applying its prestige to encourage change and sharing implementation and cost. Within the region, the partnership would include IULA as a strong regionally active organization which targets improvements at the municipal level and could be the catalyst for exchanges of information and experience and provide an ongoing base for activities post-project. Consequently, the Assessment Team recommends this three level approach to future programming.

3. What lessons does the LAC regional Local Governance project demonstrate that are useful to future programming, bilateral or regional?

USAID's Regional Local Governance and Municipal Development Project (598-0799) was recently concluded. Although this assessment was not a formal evaluation of the project, the Team observed the following effects from USAID's work in Paraguay and Chile. Strengthening the need for a regional effort are the findings of *similar* needs but with *different* priorities for action. The Team believes that there are lessons to apply to a new project and offer the following comments.

Decentralization is essentially a process of political nature and is dependent on the good will and action of the central government, which controls and monopolizes power. The central government must be coopted for regional programming in democratization initiatives. In Paraguay, decentralization is reliant on the will of Congress and the country is still engaged in a discussion on its merits. Consequently, this issue is an unsettled one for Paraguay, with a need for USAID influence to effect a positive outcome. Chile remains highly centralized. With its wealth and human capital, Chile plans to use its own model for a very slow devolution of power to regions and municipalities and is not very susceptible to influence from outside entities.

Fiscal reform is necessary in both Paraguay and Chile, representing an "unfinished agenda."

Continued work toward "financial decentralization" is needed. Change occurs mainly with additional resources, generated through greater local control over financial mechanisms. Such change is accomplished best through new (and fairer) revenue generation and a declining reliance on central government transfers. Determining what taxes will be generated, collected and managed locally and providing appropriate training in financial management while building a requirement for accountability among the local citizens are ongoing needs. In the long run, decentralization with popular participation is effective only if the citizenry sees the changes or community improvements brought about by this fiscal reform.

In Chile and Paraguay, training personnel for local government service is an essential and on-going task. The problem in Paraguay is identifying and hiring public servants, while in Chile the problem is retaining them. Numbers of trained personnel for the public sector must be increased. Professional development at all levels, and the creation of local level civil services in large jurisdictions (in the more advanced countries), would address this short-coming.

Regionally, citizen participation is genuinely popular, and although a new experience, is well-received and even becoming an expectation. It is becoming better understood in Paraguay; Chile is far behind in this arena.

Local government organization structures are weak, if not terminally ill, in Paraguay, but well-functioning in Chile. These entities are critical in on-going local government growth and development, and in national democratization, so reforms and restructuring where necessary should be undertaken in the region (and in Paraguay, quite specifically). Where strengthening existing national municipal associations is better advised than creating new ones. Building or strengthening such organizations should draw on regional resource entities to transfer competence to this arena.

In Paraguay, the LAC Regional project offered the Intendencia de Asunción exposure to practices (with Dade County) in the United States. This exchange was beneficial to the results of the project. Local governments in the United States and their democratic practices (public hearings, referenda, recalls, etc.) offer a rich example which is transferable to Latin America. Similarly, as Latin American political parties are themselves rarely models of democracy, and should increasingly represent the object of program reform or restructuring efforts, United States parties could become more involved in the region, much as European political entities (Christian Democrats, Socialist International, et al) have worked with Latin American parties.

The LAC Regional project did not capitalize on the potential to replicate the benefits of the project in areas outside of project focus. Adequate mechanisms to multiply or replicate the experiences in Asunción in a systematic fashion to other municipalities were not established. Future programming should include in its strategy a plan for sharing successful efforts. Beyond North-South transfer, the Team heard repeatedly about the need and desire to learn from sister countries which are also undergoing decentralization efforts. A regional project could effectively promote such exchanges, assisting to identify models, isolate elements of legal structure basic to success, and match

exchanges with needs.

Certain important sectors were not addressed in the recently completed effort, and certain key changes in processes did not occur because of the short length of implementation. Because of the potential dramatic implications when redistributing power, projects which intend to decentralize authority should have at least a 6-year time frame.

The need for continued activity in every aspect of democratization is essential in both countries (as in the region), but more so in Paraguay where there is less experience in democracy. Chile, while more advanced in many ways, is still far from being a well-functioning democracy built solidly upon a civic culture with widespread citizen participation in public sector decision making-processes.

General Observations from the Regional Assessment

In addition to the lessons learned from the LAC Regional project that are useful for future programming, the Assessment Team offers the following general observations and recommendations.

- While there is no question that all governments would welcome a region-wide effort, it is apparent that there must be consensus for such activity with any potential partner (Inter-American Development Bank), all regional players, and within USAID as well.
- Most USAID Missions in Latin America have democratic initiatives built into their planning. If the bulk of funding were to come from (a) USAID/Washington and/or (b) a multilateral agency, the mission role would be supported and enhanced, not diminished by a loss of resources available to it.
- Interest in innovation and learning from other Latin American countries appears to be more common than may have been assumed. It was stated repeatedly that Latin Americans wish to learn from one another. The esteem in which Colombian initiatives are held in Paraguay; Brazilian innovation in Peru; and Bolivian reform in Ecuador, point to the truism that when dealing on a horizontal plain, among municipalities similarly situated, the national rivalries which may characterize foreign policy diminish. While it was also stated quite clearly that in the current region-wide political environment, there is recognition and endorsement of "learning from the United States" (and other developed countries), learning from each other may play a more important, more reinforcing role, in the long-run. Consequently, interchange of ideas and information should be encouraged and supported in all programming.
- Projects must be undertaken only where they have sustainability after the sponsoring agencies' complete their work. Existing regional entities must be strengthened where

organizations

- c) enhance networks of municipal associations across borders to increase opportunities to share experiences, information and problem solving techniques
- d) provide general strengthening of all municipal associations in the area based on a country by country needs assessment. Emphasis should be placed on how to help these associations become (i) more inclusive and democratic and to develop openness and transparency activities among members; and (ii) more vocal in national affairs while to become true proponents of municipal interests.

2. USAID collaborate with IDB in select municipal organizational formation or restructuring related to:

- a) supplement IULA programming with USAID, working in "presence" countries (mainly Bolivia, Ecuador and Paraguay) to support reform and restructuring,
- b) help focus IULA efforts in regional "presence" and "non-presence" countries (initially Peru, whose association needs strengthening).

3. USAID take primary leadership for political party reform, to:

- a) enlarge popular participation,
- b) establish more democratic practices and procedures in their operation,
- c) develop power sharing between central and local government divisions.

4. USAID work with IDB and IULA to promote fiscal reform throughout the region to:

- a) increase the percentage of central government revenue allocated for local governments,
- b) assist to develop, update and improve cadasters as the basis for fair property taxation laws,
- c) develop new national taxation laws to ensure fairness and equity,
- d) establish new collection systems with division of revenues to local and central government authorities,
- e) establish ways to further decentralize and finance such services such as health and education,
- f) examine state and municipal self-improvement financial mechanisms such as issuance of bonds and borrowing procedures.

5. USAID and IULA focus on improved practices in municipal government:

- a) work toward openness in all aspects of local government
- b) work for greater inclusiveness of women and minority groups,
- c) institutionalize openness through widespread publicity, to raise public expectations of openness,
- d) establish rules, regulations and/or laws for community oversight and transparency in all local government dealings

possible and reformed if necessary, rather than proceeding to create new ones. Learning from each other, at all levels of government, is in the best interests of the potential beneficiaries. Democracy IS in Latin America to stay, but to achieve its best form, with maximized citizen participation, assistance from external parties is required now, and will, for several decades, be absolutely essential.

- Past major USAID Democratic Initiatives contributions have been leadership, continuity, and expertise—all identified repeatedly as “the Agency’s greatest assets.”
- Europeans are moving into Democratic Initiatives fields through bilateral and multilateral (European Union) efforts, described as designed to reduce United States influence in the region or to gain greater influence for themselves. As such there is no partnership role for USAID there. It is, therefore, important for USAID to maintain its own presence in this arena through a regional effort.
- The best expertise may lie in well-regarded counterpart organizations outside USAID “presence” countries, such as in Colombia, Chile and Brazil.
- The highest level of expertise and thus best potential USAID program partnership potential lies with regional IULAs. Through and with them other entities (La Red and MERCOCIUDADES) can become implementors of future projects.
- Efforts to effect change should be initiated in those locations and municipal organizations where there exists political good will and openness to change.
- With the enhanced advantage when multiple donors and organizations work collaboratively for desired change, there is a higher chance of convincing people that change is necessary and beneficial.
- Within USAID, in a regionally-led project, design, implementation and evaluation should be collaboratively undertaken by bilateral and regional staff.

Program Recommendations

The Assessment team recommends USAID consider the following suggested elements for a follow on project.

1. USAID act with IULA as a principal partner and implementor for overall activities, with special emphasis to:

- a) develop training programs for municipal and local government employees
- b) strengthen training and technical assistance capacity of existing local municipal

MAIN REPORT ON PARAGUAY, CHILE, PERU, ECUADOR AND BOLIVIA

General Background

Latin American political evolution has been characterized by a verbal commitment to constitutional government and democratic principles since the age of independence, but in practice, the region's history has been one of limited citizen involvement, centralization and only the veneer of democracy -- national elections -- where they have been permitted freely.

The development of the underpinnings of democracy, most aptly described as the creation of a civic culture and popular participation at all levels of government by the broadest possible representation of the citizenry, creates the environment in which national democracies can take root and flourish, withstanding the buffeting winds of economic downturns and periods of political uncertainty.

With this background, the United States Agency for International Development (USAID) has expended considerable effort in promoting democratic initiatives in this region, considered for a century and a half as vital to the general well-being of the United States and its sister republics in this hemisphere. In January 1997, USAID's Bureau for Latin America and the Caribbean contracted Tropical Research and Development, Inc. (TR&D) to conduct an assessment of local governance, municipal development, and decentralization activities in Latin America. The assessment team addressed primary and secondary objectives: respectively, to determine whether an LAC regional initiative supporting decentralization, municipal development and local governance is needed and what such an initiative's potential activities might be, and to examine what lessons can be learned from the LAC Regional Local Governance and Municipal Development Project recently completed in Paraguay and Chile.

Accordingly, this assessment report reflects the studies, interviews and related work done in democracy initiatives in the five South American nations listed above; provides region-wide recommendations for future activities in this arena; and describes the modalities for accomplishing the general task of permeating the region's societies with democratic practices and principles which will politically and economically anchor the area in the 21st Century.

The Five Country Study

Visits to Paraguay and Chile examined dimensions of a recently completed USAID project in local governance, while those to Peru and Ecuador focused on planned efforts in decentralization and the devolution of power (in Peru) and their potential. Bolivia, although one of the poorest and most highly centralized Latin American countries in decades past, was examined in part against the backdrop of its leading edge legislation in decentralization. All country programs were reviewed in terms of citizen participation issues, municipal authority, fiscal authority, and transparency matters. The countries reported on are noted in the order in which they were visited.

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Paraguay

Historically and by political design the most isolated country in South America, Paraguay emerged in 1989 from a long era of authoritarianism and centralization into a more modern mode of governance than many predicted possible in a scant seven years. National elections have passed the presidential sash to new leadership, albeit within the same political party as the old regime. There is, however, no longer the foregone conclusion that all would remain unchanged within the national politic.

Divisions of Political Administration and Systems of Local Governance

Indeed, changes have occurred in this arena, most markedly so in 1991 when for the first time, municipal elections took place. Previously, mayors were appointed. The constituent assembly came into being in 1992, and general elections occurred again in 1993, followed by another round of municipal elections in 1996, all in peaceful and even demonstrably transitional fashion. In 1998, general elections will complete a process of thoroughly democratic, civilian-dominated and civic-oriented elections (certainly in Asuncion) which will firmly and perhaps irrevocably establish the electoral bases for democracy in Paraguay.

Most importantly, this process has been characterized by elections of city council members, mayors and governors, for the first time in Paraguay's history, bringing democratic processes to the local level. Paraguay has 17 departments and 217 municipalities, which account for about half of the total population (Greater Asuncion being home to about a third of the country's population). Through urban migration, this percentage is expected to be around 60 percent within a decade. Thus the urban sector will be the dominant sector in many ways, for Paraguay's political future.

At the departmental level, governors are elected, and through the constitution, are designated as representatives of the presidency. No departmental legislatures exist, and each governor functions with a cabinet of individuals reflecting those delegated duties to departments. However, since this system is new, major issues are yet to be reworked through the legislative process, answering at least two issues: (1) how can an opposition party governor "represent" the presidency's interests and agenda; and (2) precisely what are the delineated areas of responsibility between departments and the central government, and what are the means to raise and expend revenue to meet these responsibilities?

These questions remain, the 1994 Carta Organica del Gobierno Departmental notwithstanding. This law laid the foundations for central and departmental government responsibilities, but the overlap of responsibilities, as well as these respective governments' abilities to carry out specific activities and their interest in doing so, lie at the heart of the need to reexamine roles and the need to provide more assistance in the "how" and "why" which further both decentralization and the democratization of the country.

Citizen Participation and Municipal Authority

Municipal mayors are popularly elected for single terms of five years each (like the governors), although re-election later is possible. Even though the country has now passed through two municipal elections (in 1991 and 1996), the Colorado Party which has historically dominated Paraguay still controls the majority of such posts, as well as the majority of departmental governorships. However, there are signs that the old predictable order of voting is breaking down, with a reinvigorated Liberal Party (the traditional opposition), the founding of a new entities such as "Encuentro Nacional" (National Encounter), and realignment and coalition-building among diverse elements of the current political spectrum.

Beyond the electoral process, citizen participation in local government has advanced most rapidly in Asuncion, the primate city of Paraguay. Through USAID efforts and with a progressive and independent mayor elected in 1991, open hearings to address critical issues, most particularly budget matters, were initiated. Now firmly entrenched in the minds of the citizenry as a "normal" process in another administration, such openness is becoming infectious, and will be increasingly so as old Colorado Party stalwarts are replaced by younger and more open political figures in the years to come.

Structure of Municipal Finance

The Assessment Team was concerned with how rapidly reform at the national level would be implemented at the local level, both because of the vagueness on the process of how such decentralization will occur, and how rapidly local authorities will want it to occur. In financial matters, while a fixed percentage of the national revenues is to be devolved to local authorities, the reality is that only a small fraction of that implied amount (garnered from VAT, among other sources) is actually reallocated to local government. Although revenue has increased substantially since 1990, the amounts received are still insufficient for the majority of municipalities, whose revenue barely covers operating cost. Municipalities do capture some revenue from property taxes, vehicle registration, commercial patents, and professional services.

Most local government units moreover, are not in a position to effectively participate in the restructuring of revenue identification, collection and distribution. They lack the competence to do so.

Efforts to Support for Decentralization

The Paraguayan Organization for Inter-Municipal Cooperation (Organización Paraguaya de Cooperación Intermunicipal, (OPACI)) was discussed at length with diverse parties to ascertain if it had the ability to assist in surmounting some of the many deficiencies found in local government capabilities. What became clear was that this entity, established by the former dictatorial regime, is severely compromised and its viability as an agent for change is questioned. It was suggested that

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a new entity must be created, while others recommended a reinvention of OPACI. In the interim, OPACI's involvement with the International Union of Local Authorities (IULA), headquartered for Latin America in Quito, may be able to assist in developing municipal capabilities. Additional entities that may also contribute to this arena include the much more informal "Network" (La Red de Asociaciones de Municipalidades) identified among a number of South American municipalities, and the MERCOSUR major municipalities' entity (to which Asunción belongs), entitled MERCOCIUDADES (the urban affairs branch of the "Southern Market" countries).

Paraguay: Overview

Paraguay has made commendable strides in democratic processes. But the country must confront many problems, including a lingering centralization tendency and central government foot-dragging; vested political and business interests opposed to changing the established order; a nationwide lack of well-trained persons for administrative tasks in local government (which gives support to the centralizationists since competence is found at the national level); clarification of roles and financial means to execute them; greater citizen participation in local government, well beyond the few locales where such has been implemented; more transparency in all public activities; election reform to allow for reelection, plebiscites, referenda, et al; and a strengthening of local government associations and organizations at the municipal and departmental levels to work cooperatively with those in national government well-disposed to democratization and decentralization.

Paraguay confronts new elections in the near future, which imposes constraints on project planning for some time to come. However, the country has matured reasonably well -- and better than most analysts projected -- since emerging into the 20th Century in 1989. Planning democracy for the 21st Century should begin immediately.

Chile

The 1973-91 period aside, Chile has one of the longest records of democratic government in Latin America. Geographically an anomaly, its system of government has opted for centralized control of its roughly 2,600 mile long by 200 mile wide territory.

Divisions of Political Administration and Systems of Local Governance

Chile, like Paraguay and Peru, has a primate city pattern; that is, a major city which is at least three times the size of the next largest in the country. In fact, Greater Santiago accounts for close to half of the entire national population. As a megalopolis and capital, it provides local authorities with considerable latitude in select arenas, and in even-handed and non-political fashion, distributes a substantial share of national income to local authorities from Arica to Punta Arenas, to carry out services and infrastructure projects.

Chile is one of the most urbanized countries in the world, with close to 90 percent of the population

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living in some 341 municipalities in 13 governmentally-designated regions. Following through on 1991 constitutional reforms, Regional Governments (Gobiernos Regionales) were established, each headed by an "Intendente," or governor, who is named by the president. Each governor presides over a council which is elected indirectly through a complex system involving municipal participation and representation. Municipal councils and mayors are directly elected by the citizenry. These persons serve four year terms and may be reelected, an event which has occurred in many cases since the 1992 elections reinstated democratic government in the Republic.

Citizen Participation and Municipal Authority

It can be argued that Chile's return to a well-based civic society has deeper roots than the above would imply. Long known for its networks of neighborhood associations, sports and other clubs, these continued to function successfully over the past two decades, and in fact began playing out a role in the redemocratization scenario which culminated in 1991. Resultantly, the divisions of central government and local government, while at first appearing to be entirely leveraged toward the former, constitute a more delicate balance than a casual observer might see.

Chileans constitute a very well-educated population, with exceptionally high indices for literacy and even university education. Consequently, throughout the Republic one finds highly competent people in local government, whether it be a national office or a municipal one. Identification of trained personnel is not as problematic as is keeping well-qualified and experienced persons, given the healthy economic climate of the country.

Chile has well-defined arenas of responsibility, and abides by a formula of strict central government control for many functions which make decentralization seem *de minimus* in the country. For example, while the national government controls ministries for public works and related activities, it is the regional governments which decide the activities which will be executed by them (working within a national formula for resource allocation). For example, environmental issues are the regional government responsibilities, but are coordinated with a national scheme. National resources are allocated to the municipalities for them to execute their responsibilities, which in addition to parks, streets, garbage, and the like, have come to include education and health. These last two activities constitute a major part of the decentralization discussion in Latin America, and by providing competent municipal oversight and direction of same, Chile has, in many ways, assumed a leading position in Latin America.

Structure of Municipal Finance

The regions are financed through central government transfers. Municipalities receive funds through central government transfers, and local collection of various taxes (intangible taxes, license fees and vehicle taxes). The system also allows for additional central government transfers to municipalities for health and education to cover costs of the recently devolved responsibility for these sectors.

Chile redistributes national income through a system based on a complex non-political formula which has a redistributive effect aiding the neediest communities, with the least going to the politically more powerful cities. The system for central transfers is characterized by its carefully defined and administered processes. There is little room for municipalities to use money for other than specified programs. Unlike systems of central government transfer in neighboring countries, the Chilean government meets its financial obligations and the municipalities can depend on receiving allocated funds.

Efforts to Support Decentralization

Chile has one of the most effective municipal associations in Latin America, the Municipal Association of Chile (Asociacion de Municipalidades de Chile, or AMCH). Encompassing virtually all cities of any consequence, its voluntary membership has been very instrumental in promoting professionalization and the general interests of cities throughout the country. Although a lobbying entity in part, its professionalism establishes it as a viable vehicle for directing future activities in decentralization and local governance through it. It is represented in IULA, and two of its members -- Santiago and Concepcion -belong to MERCOCIUDADES.

Chile: Overview

Although an avowedly centralized government, Chile's popular consensus for such reinvigorated civic culture, economic policies and continuous evolution of governmental services with local input through democratically elected officials, creates a different model from the statist/authoritarian one which once flourished in the Republic. Consequently, one would be hard-pressed to argue that Chile has avoided decentralization; rather, it has pursued a path which differs from that identified elsewhere.

Above all, Chile has pursued its political reconstruction in a democratic fashion. Its system is still a work in progress, with ample faults having been identified and slated for reconsideration in the congress. For example, direct elections, majority versus plurality election outcomes, accountability, openness and invited citizen participation, and additional fiscal decentralization, all represent problems on which the Chileans must labor. These arenas, at both the municipal and regional levels, were discussed as being matters of concern to the Republic, being addressed in some fashion in revision proposals for the Municipal Law (Ley Organica Municipal).

In any proposed local governance/democratic initiative program in Latin America, Chile will likely participate in some fashion, but clearly the country views its position as unique, for many reasons. Perhaps its level of participation will be more as a model and contributor for those activities which it does well, rather than a receptive donee for areas where it views its system as too well-suited for its special environment, thus limiting Chile as a "full partner" in a regional activity.

Peru

In 1968, Peru's military overthrew its democratic administration and initiated a socialist "revolution" designed to quicken the national pace toward development. Less than two decades later, this bankrupt experiment ended with a return to democracy, only to be foiled by an incompetent chief executive whose many difficulties included an inability to address two terrorist based movements in cities and in the countryside, as well as a growing narcotics-based shadow economy. While continuing the national electoral process, a president was elected who, in 1992, perpetrated a "self-inflicted coup" to reinvent government in Peru, providing a departure from past practices in many governmental arenas, both democratic and not entirely democratic.

Structure of Political Administration and Systems of Local Governance

Peru is another country with a primate city pattern, with Greater Lima having some seven million of the country's 30 million inhabitants. Lima and the remainder of the Republic's more than 2,000 municipalities and larger cities account for nearly three-fourths of the entire population.

Peru has established a new tiered system by which the country is divided into 11 Regions, defined quite differently from its historical departments; some 194 Municipalities-Provinces (Municipios Provinciales), akin to a "city-state;" and a series of lesser municipal entities. This restructuring has brought along with it a popular election scheme which permits -- and some say encourages -- election through non-political means, although parties still vie for control of the local, regional and municipal sees of government.

Citizen Participation and Municipal Authority

Elections have been established at most of these levels (aside from a still provisional set of 22 redelineated and provisional departments, with appointed chief officials) and reelection is permitted. In discussions with the Peruvian municipal association, the Assessment Team learned that the majority of municipal officials are independents, and are considered able persons fit for leadership.

Peru's Municipal Law (Ley Organica Municipal) reflects the uncertainties of the times in the Republic, wherein political decline, terrorism and narcotics trafficking have severely eroded governmental authority over many parts of the nation despite signs of economic recuperation and political stabilization. Consequently, the promotion of civic culture and popular participation are ill-defined as national goals. One concludes that Peru wishes to reestablish its governmental authority over all facets of national life, before its begins real decentralization.

The Municipal Law does little more than outline governance formats, and does not directly address the diverse issues of popular participation (beyond elections), transparency, accountability, et al. Perhaps there is an underlying assumption that the many organizations which have so long characterized Peruvian society will respond to the civic culture-building necessary to sustain

democratic government. These have encompassed virtually all elements of society in one form or another, from mothers' clubs to provincial associations, in the urban sector, its marginal communities, and throughout the rural communities of the Andes.

Although through such entities there is an implied "popular participation," Peru's openness in many local government activities is wanting. A visit to the City Hall and meeting with Lima's mayor demonstrated to the Assessment Team that in the core city of Greater Lima, the mayor rules and listens to his advisors, not his citizenry. "Peru es Lima; Lima es el Peru," may well set the tone for this continued way of doing business throughout the country's many cities and towns. In general, though, Peruvian officials described citizen participation issues as receiving "lip service" and "insufficient" attention from national government, with the little existing legislation being "decorative" and not nearly as effective as sports clubs (described as tremendously powerful) and neighborhood associations.

Will this situation change? Peruvians pointed out that in the next seven years, there will be five elections facing the citizenry. They emphasize that there is ample opportunity to change, and state that the process should begin by looking carefully at neighboring Latin American states for examples on how this might be achieved. The openness of Porto Alegre (in budgeting), the accountability of differences in culture in Bolivia through broad representation, and the need to learn from one another (through mayors' conferences, et al), were ideas proposed.

Structure of Municipal Finances

Access to finances by local government poses a serious problem in Peru. One example of the severity of the problem is a city of 250,000, wherein the mayor could employ only four people. Hiring and keeping well-qualified persons is a significant problem.

Financial issues dominated many of the Team's discussions in Peru. People believe that the central government provides little for the municipalities and local government, in general. There is no system for regional taxation, so municipalities depend completely on transfer of funds from the national treasury. The system of sharing of revenues is so ill-prescribed, that apparently many municipalities out of favor with the president receive nothing. While the national legislation to ensure shared revenues for local government was reviewed in a visit to the Peruvian Congress, the fact is that articulation for such practices remains a "project of law" and not a reality in the Republic. Municipalities capture some funds through property and business taxes, allowing them to meet minimal operating requirements only.

Efforts to Support Decentralization

The Peruvian Association of Municipalities (Asociacion de Municipalidades del Peru, or AMPE) is a voluntary but broad-based organization, receiving financial assistance from the German Ebert Foundation. It engages in training, lobbying, and forms part of the IULA structure. Its

representatives promote municipal issues, with a strong emphasis on the financial needs for reform to provide for appropriate fiscal authority and financial resources for Peru's growing urban sector.

AMPE, despite its small budget (\$150,000.) and staff, is a strong and important municipal association, which has the capability to be a conduit for programming in Peru in decentralization and local governance democratic initiatives. Reflecting the country as a whole, its input in any future programming will ensure that the proclivity to favor Lima and environs will be overcome by broader participation from elsewhere in the country.

Peru: Overview

Peru's decentralization processes are stymied by a central government which has a different agenda at this time. As stated, this situation is not hopeless, but may well represent a strong president's wish to see a more stabilized economic and political environment before promoting issues of decentralization.

Having stated that as the obvious, there is much that can be done under existing circumstances. Key areas for attention include training for municipal and other local government personnel; assistance in all aspects of planning; development of new systems of revenue identification and collection, as well as sharing; and an often-repeated theme of more local popular participation in the decision-making processes of government. These areas provide a broad agenda for program participation in a regional scheme.

The USAID mission has worked extensively with Peruvian municipal authorities and virtually all other sectors involved with democratic initiatives. USAID is respected and valued as a long-standing partner for these and related activities upon which future programming can build.

It was suggested that USAID (and by implication, any aligned project partners) can serve to assist the development of democratic processes in the country, as an entity positioned to interact with the presidency on behalf of local government interests. Indeed, it might require such outside influence at this juncture to ensure Peru's participation in a regional program, given the presidency's other current concerns.

Ecuador

Ecuador's 10 million-plus people are close to 60 percent urbanized, with two major metropolitan areas (Guayaquil 1.6 million; and Quito 1.2 million) accounting for nearly half the implied number. Traditionally, these cities have vied for power at the national level, but in recent times have been described more as collaborative partners versus the rest of the country, which sees them as sharing all power and most resources.

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Divisions of Political Administration and Systems of Local Governance

The 1978 Ecuadorian constitution provided for two levels of government, central and sectional. Defined in the constitution are 21 provinces and, at present, 207 cantons (municipalities). Mayors are elected officials, while at the provincial level, councils are elected popularly and their chief executives are appointed by the presidency. Elected officials serve four year terms. Quito and Guayaquil can be handled in a special fashion, allowing them particular powers akin to a German city-state, but the authority which may insure to either of these metropolises has been adopted only by Quito.

At the time of the Assessment Team visit, Ecuador was bracing for major political shifts, which were manifest within days of completion of the assignment. Consequently, the fluid situation in the country requires that a follow-up assessment be made to ensure that Ecuador is prepared to address issues of local governance and democratization initiatives, sometime within the next two years.

Citizen Participation and Municipal Authority

In many ways, Ecuador is the most politically backward country visited by the Team, with democratic initiatives barely addressed in existing legislation. At the provincial level, authority is virtually non-existent, and budgets, in theory discretionary for the chief executive, are really ill-defined. At the municipal level of authority, a mayor is elected in larger communities, and in smaller ones, the mayor is selected through the city council (always elected for the largest cities). However, popular participation and openness, transparency and accountability are only the vaguest of concepts in the Ecuadorian local government environment.

Structure of Municipal Finance

Provincial governments depend for up to 90% of their needs on central government transfers. Practically the entire budget for the provinces is allocated to current operating costs. The principal income for municipalities is also by central government transfers, as well as their local collection of property taxes and taxes on various services performed. In theory, ten percent of the national budget is supposed to be disbursed to the municipalities. This amount, yet to be distributed and disputed by former President Bucaram, was addressed by the previous administration with a compromise to gradually work toward that figure as a national goal.

In fact, the deposed president stopped transfers to many municipalities which did not support him (Quito), while he rewarded others which provided enthusiastic support (Esmeraldas), reducing the revenue transfer process to a farce. Municipalities had to abandon their overwhelming dependence on the central government, and rely more on such other ill-defined, or scant, sources such as fees.

Efforts to Support Decentralization

The Ecuadorian Municipal Association (Asociacion de Municipalidades Ecuatorianas, or AME) is comprised of only about 25 of the largest municipalities in the country, and is highly politicized. The Assessment Team visited its headquarters, one of the most elegant facilities seen in any of the five countries visited, and spoke with its president, who was, in effect, a Bucaram appointee. It is clear that this organization, while having considerable financial resources and technical expertise, would be inappropriate for use in a regional project without extensive restructuring, given its compromised position. No other organizations were identified as substantive and capable, but fortunately the IULA and USAID's Regional Housing and Urban Development Office for South America, are located in Quito, along with other more peripherally associated entities. They offer some prospects for alternative cooperation.

Ecuador: Overview

Although Ecuador is ripe for many democratic initiatives, including popular participation, decentralization, transparency, accountability, et al, the political climate will be clouded for at least a year if not somewhat longer, until the country reestablishes the office of an elected president, and congress returns to its normal tasks.

In the interim, there are background issues to be addressed in Ecuador which focus on decentralization, because at the heart of the political turmoil which led to the deposing of President Bucaram, there is the matter of regionalism. Disparities, rivalries, hatred of the two major cities "and all they stand for," and the burdens of a poor economy and crumbling infrastructure which effect the entire country, must be addressed. In all likelihood, Ecuador will be prepared to participate fully in a regional program which enhances decentralization in various ways, and which can lay the foundations for more profound activities in several years under a more stabilized political system, with the potential for a major democratizing impact.

Bolivia

Bolivia's history shows the greatest instability of all South American countries. Its very geography has conspired against successful administration, and deep ethnic divisions, class and caste systems have exacerbated every problem. Consequently, Bolivia's remarkable positioning in front of every other country in the region in decentralization, and arguably many arenas of democratization, is the epitome of irony.

Division of Political Administration and Systems of Local Governance

Since its beginnings, Bolivia has known regional rivalry. While the nature of regional rivalry was transformed by circumstances in the late 20th Century, the demon of regionalism has been continuous, with the nation pulled by interests in Greater La Paz, the Santa Cruz area, and the

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Cochabamba region. Minor divisions exist, with the interests of Tarija identified more with Argentina, the Beni region with Brazil, and with southern Andean concerns in Oruro and Potosi.

Faced with these realities, it has been suggested that Bolivia's diverse reforms were initiated to diffuse a move toward federalism, or worse, broad-based regional autonomy. Others suggest that decentralization was a mechanism to decrease partisan politics, clientelism, ungovernability and outright corruption throughout the country. Whatever the real agenda, the decentralization approach taken has redefined the country, dividing it into 311 municipalities in addition to nine departments.

This was accomplished through the Popular Participation Law (Ley de Participacion Popular) in 1994, which reclassified urban centers from a few dozen municipalities to 311, virtually all of which encompass large surrounding areas normally considered rural.

Citizen Participation and Municipal Authority

The Popular Participation Law provides for the election of municipal councils with mayors who are selected by the membership. In 1995, legislative action furthered the decentralization process by devolving responsibilities from the central government to the departmental units, which are headed by presidential appointees to conduct the business of the central government.

At the departmental level, Regional Development Councils have been established, with responsibilities for regional planning, infrastructure investment and municipal strengthening for those falling within its territorial jurisdiction. At the municipal level, according to the Popular Participation Law, traditional activities with waste and water have broadened to include projects in health, education, local roads and diverse other activities, with mixed results.

Multi-faceted problems have developed in this effort to decentralize. In terms of trained personnel, most municipalities have scant reserves to draw upon. Moreover, the nature of the mayor-council relationship gives rise to political party lines dictating leadership and staffing positions, not always yielding to the best results for the community.

Structure of Municipal Finance

The Regional Development Councils receive central government transfers directly, whereas municipalities receive resources from both central government transfers and their own sources. In the latter category, there are property taxes, vehicle fees, and service charges which amount to varying sums, depending on the economic status of the community. Central government transfers provided a share of national revenue estimated at 20 percent of the total national tax take. In 1996, this was \$155 million.

The central government also has diverse funds (Social Investment Fund, National Fund for Regional Development, et al), which are managed through local government mechanisms, and which

represent a source of income and investment.

Although these changes have had a major impact on the country, the results of such democratization efforts have been mixed. Identified as major problems by USAID contractors and Bolivian authorities themselves are overdependence on transfers and an inability to identify new sources of revenues, as well as the ability of local people to execute the methodologies to raise funds. There is a widespread lack of trained personnel (the average mayor is educated to the sixth grade) suited for municipal management tasks in most Bolivian jurisdictions.

Efforts to Support Decentralization

In a positive vein, Bolivia, like Peru and Chile, has a history of grass-roots organizations which facilitate decentralization and democratization goals. Levels of popular participation are high, and despite some unforeseen setbacks in social/community structures for women, their strong positions in Andean societies will be reasserted, and their positions on councils and as mayors will increase substantially in the years to come.

These community-based entities have provided for one of the most important underpinnings of the Law of Popular Participation; that is, the Committees of Vigilance. In each municipality, these groups oversee equitable distribution between urban and rural regions within a jurisdiction; play a role on budget decision-making; and ensure that expenditures fall within the guidelines established by the Popular Participation Law.

Bolivia, like Ecuador, is not blessed with a strong or particularly useful municipal league. The Association of Municipal Governments of Bolivia (Asociacion de Gobiernos Municipales de Bolivia, or AGMB), has representation for less than two dozen of the "traditional" largest cities in the country (which in some cases, no longer fall within that category). The AGMB is simply not viewed as a player in national decentralization issues, nor is it viewed as serving any broad-based purpose on a national level. Whether it can or will be changed is questioned by many Bolivians.

Bolivia: Overview

Although Bolivia's Popular Participation Law and related actions have been sweeping and revolutionary, the new system has many problems which must be addressed over the coming years. A current legislative proposal will begin this process, ensuring that there is greater stability of mayors who may currently, almost on whim, be dismissed by shifting political party alliances on city councils (to which they return, once deposed). It was reported that 20 percent of all mayors had already been removed from office, and before the next municipal elections, this percentage will rise (this figure includes mayors for three of the six municipalities in a USAID pilot project presently under way and under study for replication of democratic initiatives programming).

As important as continuity is in leadership, more often than not this has accounted for the high

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turnover of administrative personnel in municipalities, often eliminating the positions of some of the community's best people. When one discusses training programs and potentials, this situation raises the question of needless replication and high costs to accommodate some questionable local government practices.

On another level, reforms are under way for the method in which persons are elected as deputies, so there will be more regional accountability to the electorate, and not to their political parties. Bolivia is also addressing issues of corruption (some officials having stated cocaine interests "own" outright people and pieces of the government), training, and general efficiency and better central government/regional government/municipal government coordination.

Bolivians believe that their experiment in decentralization and democratization, while not perfect or as yet perfected, is worth sharing with other nations in the region. Indeed, it was interesting how often the Bolivian experiment was cited in other countries visited, including Chile and Peru, where traditional attitudes would dictate a more condescending tone toward anything coming from a country once considered so backward.

Bolivia offers itself as an on-going experiment, evidenced by its interest in working with USAID and the Inter-American Development Bank for continuation and deepening of the democratic process. There is room for improvement in openness, accountability, transparency and above all, greater popular participation from all parts of the citizenry. Bolivia should have a significant role in any regional scheme.

Regional Issues Relevant to Future Programming

Although the Assessment Team focused on five countries, the scope of work and the interviews with many people addressed themes of democratization on a regional basis. Indeed, what can be observed are the following points:

- (1) elections at the national level have occurred through Latin America, excepting Cuba, providing the "veneer" of democracy for national regimes;
- (2) the crises of the 1970's (oil) and 1980's (national finances) have demonstrated the inability of central governments to adequately or appropriately handle all the nations' business;
- (3) the Eastern Bloc and Cold War mind set has receded, along with its handmaidens of dependency theory and the "validity" of Marxist-Leninist/statist alternative models of development;
- (4) the rise of democratic capitalism on a world-wide basis brought Latin American countries to the realization that their political and economic paradigms had to change.

In what a World Bank figure calls the "quiet revolution," Latin America began reinventing its political and economic systems in the last two decades, with the speed of this process accelerating

in the last ten years.

Today, the processes are far from perfected, but are most likely irreversible. As has been stated, "*democracia se democratiza*," and the activities of devolving centralized power to local governments, while ensuring greater citizen participation, creates an environment which over time instills in the populace the concept that a role in governmental decision-making is an inherent right.

The steps taken toward this direction, while scarcely two decades old, continue to be followed by all countries, albeit at different paces. Local elections have become fixed in countries which once knew only central government control. Mayors are universally elected, directly (increasingly) or indirectly, and departmental/provincial/state governments in Mexico, Colombia, Venezuela, Ecuador, Paraguay and Brazil are following suit. This trend is growing.

The urbanization of Latin America, too, has proceeded to create an environment quite different from 1950 or even 1975, with the concentration of the population in cities. By 2000, over 80 percent of all South Americans will be urban-based, and the megacities as well as intermediates, are taking their place as centers for innovation and progressive solutions to old problems, ignoring central governments and their inabilities to respond rapidly and creatively to urban needs.

This development has resulted in several important phenomena, including the creation of trans-national formal and informal alliances among cities for diverse reasons, not the least of which is the powerful league of MERCOCIUDADES, which establish financial and economic linkages which by-pass national policy, in the former case, and an information link, "La Red", in the latter; and the growing importance of cities in their own national (central government) political life.

In this latter context, national leadership is coming increasingly from local government, and the trend is projected to grow exponentially. Presidents who have served as mayors or governors in recent years include those in Guatemala, El Salvador, Nicaragua, Ecuador, and Argentina. Projected winners (according to the best pundits) will bring Chile, Peru, Honduras, Paraguay, Venezuela, again Ecuador, and Guatemala, into this grouping. This process is not casual, but is indisputably reflective of the general process of decentralization and local democratization, wherein a citizenry sees and recognizes competence and abilities to lead a country because of effective leadership of a major city. A question may well be asked as further proof of this new phenomenon: name any country that ever had a former elected mayor as a democratically elected president, before 1980.

More than anything else, this development demonstrates that successful decentralization and democratization efforts are worthy of the closest attention by USAID and multilateral organizations, which wish to pursue activities in an environment of elected governments, responsible and participatory civil societies, enhancing the democratic capitalism which is now universally endorsed throughout the region.

To reinforce democratization and decentralization processes, arenas of activity which have not been

addressed adequately in any or all of the countries of the region are mentioned below.

Fiscal Reform

The transfer to municipal control of some taxes (virtually all countries), co-participation in revenues from value added taxes (Colombia, Guatemala, Paraguay), or simply a percentage of current income or taxation from the national budget (Guatemala, Honduras, Bolivia, among others), has meant that local government participation has gone from lows of 1 to 2 percent of GNP to 14 to 20 percent in some countries, in recent years. But such transfers have not always had a completely salubrious effect, for diverse reasons, giving rise to the need to further explore fiscal reform for (a) identification of new revenue sources, (b) reevaluation of sources for appropriate and fair collections, and (c) better budgeting and accountability to ensure maximum benefits for expenditures made. No country in the region (or even the United States, for that matter) should be excluded from consideration in programming addressing this issue.

Administrative Reform

A thorough examination of the respective responsibilities, with well-defined lines of authority, needs to be undertaken in all countries, particularly in the newly identified arenas for decentralization; namely, health and education. Additionally, the interface between "responsibilities" and "financial means" must be part and parcel of the administrative reforms necessary in Latin America.

Decentralization Processes

Decentralization proceeds at different paces in the region, just beginning in Paraguay, Peru, Ecuador and Mexico, while being generally progressive in Colombia, and a major issue in Bolivia, Argentina and Chile. This agenda needs to be addressed for each country, not to impose a single model or fixed time frame, but to establish some national program to ensure that as we enter the next century, the central, regional/departmental, and municipal levels of government all have roles to play for the socio-economic and democratic political advancement of their lands. The success enjoyed by USAID in such activities in the past has laid a solid base for continued activity for the future.

Citizen Participation

In every country where surveys have tested the citizenry about attitudes toward decentralization and democratization, responses have been overwhelmingly favorable. Results show higher confidence for problem-solving in local government. In Central America, 60% of those polled had higher confidence in local government capability to be effective, while in Peru, the percentage was far higher (80%). Additionally, the exceptionally high voting rates for local officials (Chile, Paraguay, Colombia, among others) point to an implicit endorsement of this decentralization tendency, and enthusiasm for local governance. This trend must be encouraged throughout the region as another

guarantor of the on-going democratization process, particularly in the countries visited.

There is great unevenness in citizen participation in general, however, with high levels in Bolivia, Colombia, and Venezuela, and lower levels in Chile, Nicaragua, Guatemala and El Salvador, according to findings for the two countries that are part of this study and to assessment input and additional sources for the other countries. Incorporating citizen participation elements in programming may be the most acute need in Paraguay (outside Asuncion), Peru, and Ecuador, among the nations visited.

Political Parties

Although a delicate issue, political parties are reflective of national cultures in many ways, but are almost always described as highly undemocratic. Many people interviewed encouraged the Assessment Team to address this issue, with pleas for incorporation of restructuring, democratic and participatory processes, et al, for future programming.

It has been recommended that, just as the socialist movement and the Christian democratic movement, both essentially European-based, have provided financial assistance to their Latin American brethren, the United States political parties provide assistance from our experience and on our political system to improve the party systems in the region.

Associations of Municipalities

There is no doubt that such organizations are key to the success of municipal administration improvement and the evolution of local government in Latin America, yet weakness seems to be a common characteristic. Colombia and Chile have useful and powerful associations, as two examples, while in Bolivia and Peru, their future and perhaps defining role is being played out at this time. Municipal organizations in Paraguay and Ecuador trail the countries visited, and assuredly need assistance. Future programming can incorporate association/institution building as a major theme.

Institutional Weakness

Although the Peru mayors' association reflected a remarkably high level of professional competence, and Chile's organization more so, a major difficulty identified in most countries throughout the region is the inadequacy of competent leadership and able sub-administrators for the myriad municipalities now established through legal reforms. Training programs are sorely needed, whether such be on-the-job seminars (Peace Corps Volunteers did this in Chile) or through some distance learning techniques. It is indisputable that competence in administration is essential to make local government outside the biggest cities work, and work well. Given the long experience of USAID, the World Bank and the Inter-American Development Bank in addressing institutional weaknesses, this program dimension should be easily tackled.

The Legislative Agenda and Central Government Interface

There is an obverse to the axiom commonly stated in the United States, where "all government is local," and that is writ large: in Latin America, all government is centralized.

It is necessary to pursue programmatic activities which develop, enhance and revise legislation to advance decentralization and democratization processes. Given the historic realities of the region, and a retained "majority control" for central government, it is essential to have mechanisms in place to effect better interface between local and central government, for the benefit of the countries involved.

As a concluding comment, what USAID has achieved is tremendous through its support for the development of democratic systems and initiatives over the past years. It is absolutely essential to United States' interests to continue to build on that exemplary legacy.

Structure for Regional Programming

A regional initiative implemented in collaboration with another donor (most likely the Inter-American Development Bank) should capitalize on the potential for collaboration with the following entities:

- As mentioned above, within Central America and South America, primary potential exists with the IULA, and, subsequently with the Network of Municipal Associations (La Red de Asociaciones de Municipalidades, which utilizes IULA/SA technical and related services), in South America. In certain instances, MERCOCIUDADES could serve the purposes of a regional program in local governance issues.
- Within individual countries, a review of the municipal associations would be appropriate to identify which could best serve programmatic purposes. Those in need of restructuring or reinforcement would be particularly well served by involvement in future programming, inasmuch as such entities are certain to be increasingly important in Latin American democratic processes in the future.
- Central governments all recognize to a greater or lesser degree that decentralization and democratic initiatives move forward as part of the same package. Consequently, programs should be developed which help the process of articulation between regional and municipal (local) government, on the one hand, and the central government, with its proponents for greater devolution, on the other.

A new initiative must include a review of existing legislation in each country, the revision of this legislation where necessary, and the development of new proposals which will strengthen both democratization and decentralization themes on a country-by-country basis.

As was pointed out repeatedly, the future of decentralization is reliant on "good will." Establishing a partnership between the local and the central governments, with well defined and understood responsibilities, is indispensable for success in the short-, medium- and long-run.

- Program themes which must be pursued as part of any larger scheme include (1) the process of regional dialogue, among parties at all levels; (2) cooperation on a horizontal plain; (3) observation visits, to learn from one another; (4) analysis and discussion of specific proposals; and (5) interchange and discussions among participants, including use of Internet and other modern means of communication.

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FIVE COUNTRY PROFILE FOR USAID NICHE IN FUTURE PROGRAMMING: STATUS OF POSSIBLE NATIONAL PARTNERS AND NOTES ON RELEVANT NGO OR POTENTIAL MULTILATERAL AGENCY PARTNERSHIPS*

Country	Major Municipal Entity	Status as Partner	USAID Major Focus Areas	Other Local Partners
Paraguay	Paraguayan Organization for Inter-Municipal Cooperation (OPACI)	compromised and weak; it may have to be renamed and reformed	electoral reform; political party reform; continued decentralization; fiscal reform, training	IULA; MERCOCIUDADES; La Red; RHUDO; IDB potential
Chile	Municipal Association of Chile (AMCH)	efficient and professional & well-suited	openness; popular participation; fiscal reform	IULA; MERCOCIUDADES; La Red, RHUDO; PARTICIPA
Peru	Peruvian Association of Municipalities (AMPE)	voluntary and effective with scant resource base; good potential	fiscal reform; general decentralization; popular participation issues; training	IULA; La Red; RHUDO. IDB potential
Ecuador	Ecuadorian Municipal Association (AME)	thoroughly politicized & no current power base; must be rebuilt	decentralization; fiscal reform; popular participation; training	IULA, La Red; RHUDO. IDB potential
Bolivia	Association of Municipal Governments of Bolivia (AGMB)	weak, elitist & ineffective for most municipalities; must be rebuilt or restructured	electoral reform; fiscal reform at local level; training	IULA; MERCOCIUDADES; La Red; RHUDO & IDB, beyond current activities
LAC Perspective	Use stronger associations & build "reform" into future programs for weak ones	view strong municipal associations as linchpin of democratization	all aspects of local governance strengthening, including political parties, fiscal reform	IULA; RHUDO; LAC; MERCOCIUDADES; IDB

*Currently, only the Inter-American Development Bank (IDB) is engaged in related "modernization" activities in Latin America, among multilateral lending agencies. And, while more entities exist than are names which are in one form or another "municipal associations," only the principal national ones have been named, since the short amount of time of each in-country visit allowed for just a limited focus on them.

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Persons Interviewed and their Affiliations

Washington

USAID LAC Bureau Personnel

Todd Amani

Jan Paul Emmert

USAID Global Bureau Personnel

Sarah Wines

Inter-American Foundation

David Valenzuela

World Bank

Tim Campbell

Inter-American Development Bank

Robert Daughters

Ronald Brousseau

Inter-American Development Bank Personnel -- Operations

Dino Capriolo

Roberto Garcia Lopez

International City/County Management Association

Mark H. Bidus

Miami

Florida International University

Allan Rosenbaum

Cristina A. Rodriguez-Acosta

Paraguay

USAID Personnel

Programa de Fortalecimiento Municipal (PFM)

Juan Alberto Neffa

Inter-American Development Bank

Jose Agustin Riberos

Victor Flecha, independent consultant (former official)

Andres Vidovich Morales, M.D., Minister of Health

Luis Wagner, Central Department Governor

Carlos Filizzola, M.D., former Mayor of Asuncion and Director of the political party "Encuentro Nacional"

Olga Maria Zaraz, International Relations Chief for Asuncion

Centro de Analisis y Difusion de Economia Paraguaya (CADEP) staff

Chile

Jamie Gatica, Moneda Palace Advisor

Claudio Orrego, Decentralization Office, Government of Chile

Victor Maldonado, Secretary of the Presidency

Mario Cortes, Asociacion de Municipalidades de Chile (AMCH)

Gonzalo Duarte, Mayor of the City of Florida

Gabriel Aghon, Economic Commission for Latin America (ECLA)

Eduardo Hill, Corporation for University Promotion (CPU)

Peru

USAID Personnel including

Eric Zallman, USAID Director

Edith Houston, USAID ODI

Alberto Andrade Carmona, Mayor of Lima

Luz Salgado, Congresswoman and Second Vice President of Congress

Oswaldo Patino, World Bank Representative

Efrain Gonzales de Olarte, Institute of Peruvian Studies (IPE)

Santiago Pedraglio, "Grupo Propuesto" in IPE

Rudecindo Vega, "Transparencia"

Julio Diaz Palacios, NCO "Ciudad" and former Congressman

Peruvian National Association of Municipalities (AMPE) delegation of mayors

Luis Guerrero, President of AMPE and Mayor of Cajamarca

Rolando Reategui, Secretary and Mayor of San Martin

Edgar Anamuro, Mayor of Moho, Puno

Milesio Vallejos, Mayor of Utcubamba, Reg. N. Oriental de Maranon

Santos Kaway, Mayor of Tambopata, Madre de Dios

Julio Guerra, General Manager of AMPE

Ecuador

USAID Personnel including

Beth Cypser, USAID OSO
Kraig Baier, USAID RHUDO/SA
Paul Fritz, USAID RHUDO/SA
Lucrecia Tola, USAID RHUDO/SA
Paulina Caceres, USAID RHUDO/SA

Latin American Center for Urban Management (LACUM)

Marino Henao

International Union of Local Authorities (IULA)

Maria Arboleda
Jaime Torres Lara, Secretary General

Callos Paladines, Training Department, City of Quito

Ramior Viteri, City Manager of City of Quito

Guillermo Tapia, Director of Municipal Association of Ecuador (AME)

Alberto Andrade, Businessman

Mary Andrade, Director, NGO Foundation for Science and Technology (FUNDACYT)

Bolivia

USAID

Walter Guevara, USAID ODI

Anthony Cauterucchi, Project Director, "Desarrollo, Democracia, Participacion Ciudadana"

Arthur J. Sist, Project Director, SUNY/Bolivia

H. Guido Capra Jemio, Senate of Bolivia

Carlos Hugo Molina, Secretary, Secretariat for Popular Participation

Roberto Barbery Anaya, Sub-Secretary, Secretariat for Popular Participation

David Atkinson, Inter-American Development Bank Representative

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Bureau for Latin American and the Caribbean (LAC)

**ASSESSMENT OF LOCAL GOVERNANCE, MUNICIPAL DEVELOPMENT &
DECENTRALIZATION ACTIVITIES**

STATEMENT OF WORK

I. INTRODUCTION and BACKGROUND

In the last few years, the countries of Latin America and the Caribbean (LAC) and USAID Missions in those countries have increased their interest in and attention to local governance, municipal development and decentralization¹. This programming area--with a strong emphasis on meaningful, pluralistic citizen participation--has high importance in current and future USAID/LAC democracy office programming because of its potential to support democratic principles and practices in LAC countries.

Progress in this area can contribute to all facets of sustainable development - environmental management, delivery of social services such as education, water, health, and transportation systems, job creation, economic development, improved housing, as well as supporting the consolidation of democratic practices and institutions. Effective local governance supports sub-sectors of USAID's democracy and human rights strategy, including increasing access to justice, building a strong civil society, democratic civic education, public sector accountability and legislative strengthening.

Local governance is an emergent trend in the LAC region for various reasons:

¹ The LAC democracy team uses the terms decentralization, local governance, and municipal development to refer to a large and overlapping group of activities, operationally defined for this assessment as follows:

Local governance includes any activity improving the decision-making processes of sub-national governments. Elements include: enhanced citizen participation; civil service reform; increased accountability; greater transparency of decision-making; management information systems; anti-corruption; skills training in public administration and financial management; development of local financing mechanisms; reform of procurement policies and practices; public disclosure laws, etc.

Municipal development includes any activity encouraging more vibrant democracy at the sub-national level. Activities include delinking local from national elections; establishment of citizen committees and local business advisory boards; development of local-central advocacy and feedback mechanisms; local tax policy reform and revenue collection schemes; urban development plans; open communication forums between local officials and citizens; management and financing of physical infrastructure and basic services, etc.

Decentralization includes any activity supporting devolution of authority from central governments to sub-national governments (including state, provincial, municipal, regional, special districts, etc.). Activities include national tax policy reform; drafting, modifying or implementing municipal codes; other laws and regulations which facilitate basic service delivery by local governments; development of revenue sharing formulas; fiscal management capacity of local governments; review and establishment of capital financing methods for local governments; and assistance to localities in establishing credit worthiness, advocacy skills, information sharing forums, etc.

First, democratic citizen participation has flourished. Free and fair election of government officials, increasingly with more direct election of local officials, is becoming the norm in Latin America. Citizens and local groups wish to be involved in discussions and decisions on issues of public concern long after elections are over. Public awareness of the role of local government and performance expectations have also grown.

Second, new constitutions, constitutional amendments, laws and decrees in many countries--particularly in South America--have enhanced the ability of sub-national units of government to collect, raise and spend revenues. Central governments have initiated revenue sharing mechanisms and transferred responsibility for delivering many public services to sub-national governments.

Third, there is a growing number of competent, energetic and often locally-elected officials with strong professional backgrounds and the political will to promote sound socio-economic policies. Many are entering positions with fresh political mandates, feeling that local governments merit a greater role in national development. Many of this new cadre of local officials believe that municipal and provincial governments must take the lead in public sector reform and enlist citizen support and involvement in meaningful ways. They need assistance concerning how best to proceed.

Fourth, the abilities and resources of centralized national governments are increasingly limited. Officials at both the local and national levels are engaged in a shift - often subtle, but occasionally highly-visible and contentious - in political and fiscal power away from central governments to local governments. Stronger policies for decentralized governance must be enacted and implemented, continuing reforms of the past decade.

Serious problems remain. As the movement for decentralization and reform of the State moves through Latin America and the Caribbean, local governments have little representation in formulating the policies that directly affect the governance of their communities. More autonomous municipal governments need to continually build capacity, train leadership, exchange information, share resources, take advantage of economies of scale, and develop avenues for local government to relate to supranational entities.

Much work has been done by USAID through bi-lateral and regional projects addressing these issues in the past ten years which will be reviewed in the course of this assessment. Two current regional projects in this programming area include the Regional Local Government Regional Outreach Strategy (LOGROS, 596-0167) working in Central America and the LAC Regional Local Governance project (598-0799) which has focused on Chile and Paraguay. Collaboration between well managed associations has provided a vehicle for information sharing, training, lobbying efforts, development of standard operating procedures for local governments, etc. The potential for continued work with national municipal associations or their regional and sub-regional umbrella associations and the potential regional impact of this approach will be part of

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this assessment.

Ten of LAC's fourteen bi-lateral missions include democratic decentralization prominently in their strategies. Those missions are Bolivia, El Salvador, Guatemala, Guyana, Haiti, Honduras, Nicaragua, Panama, Paraguay, and Peru. Bi-lateral programs most commonly focus on citizen involvement and representation, training of local government officials, funding and management of infrastructure projects, and fiscal decentralization and local revenue generation. This work will also be reviewed as part of this assessment.

II. ASSESSMENT OBJECTIVES

The primary objective of this assessment is to determine whether an LAC regional initiative supporting decentralization, municipal development and local governance is needed, and, if so, to identify potential activities. The secondary objective is to document the lessons of the LAC Regional Local Governance and Municipal Development Project (598-0799) that may be useful for future regional or bilateral activities.

Accepted Roles for A Regional Project

Accepted roles for regional projects include supporting regional trends and institutions, conducting regional analysis, activities where economies of scale make them feasible on a regional level (where they are not feasible bilaterally), supporting regional information exchange, building regional networks, encouraging innovation through pilot activities, addressing regional training needs and disseminating knowledge of successful measures taken in one country to build confidence in others.

Any future programming offered through an LAC regional activity supporting decentralization initiatives must have the consolidation of democracy as its primary focus, i.e., it must encourage increased legitimacy of government institutions, more electoral competition, greater pluralism and citizen participation, and more representative and transparent government decision-making.

III. ASSESSMENT QUESTIONS

- 1. Are there LAC country needs in the area of decentralization, municipal development and local governance projected over the next five to eight years that would be best met through a regional initiative?**

To address these questions, the contractor shall:

- a. Review documents describing USAID activities relevant to this assessment to:
 1. understand past and current issues in the local government sector related to sustaining

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- democracy in LAC countries and sub-regions;
- 2. understand the general objectives and scope of current programming;
- 3. identify potential contacts in USAID missions and regional institutions for further discussion;
- 4. document innovative practices and implementing mechanisms, if any, appropriate for a regional project; and,
- 5. help identify the needs of potential clients of a future regional initiative.

Projects to be reviewed include bi-lateral, sub-regional and regional activities supporting decentralization, municipal development, and pluralist citizen participation. A complete list will be provided.

- b. Canvass knowledgeable staff at USAID bi-lateral Missions, regional offices, and LAC based RHUDO offices to:
 - 1. understand emerging issues in sustaining democracy through decentralization and local governance programming;
 - 2. understand their analysis of national and sub-regional needs that could be addressed through a regional initiative and judge the level of interest in a regional program to complement on-going initiatives;
 - 3. understand where support for local governance is centered in various countries (central government policy, NGOs, local officials, community groups, municipal associations, national or sub-regional institutes and foundations, etc.) and,
 - 4. identify regionally significant initiatives or institutions for further exploration.

A list of USAID offices to contact will be provided. A summary of current bi-lateral local governance, municipal development and decentralization programming identifying the trends, constraints, successes and strategic framework in individual countries will also be provided to the team.

- c. Review documents describing other donors programming relevant to this assessment to understand their general objectives, scope and geographic coverage.
- d. Meet and talk with knowledgeable staff of the Inter-American Development Bank, the Inter-American Foundation and the World Bank to:
 - 1. understand how their programming in this sector compares to that of USAID;
 - 2. solicit their advice on what needs are not being adequately addressed in LAC or sub-regions; and,
 - 3. identify regionally significant initiatives or institutions for further exploration.

A list of initial staff to contact will be provided.

- e. Meet and talk with key staff of national municipal development associations and other

important institutions supporting decentralization, as potential customers of a potential regional initiative, to:

1. understand their interest in linking with other national organizations in a regional or sub-regional network;
2. identify what type of information and services they would find useful if offered through such a network.

f. Conduct any other activities deemed necessary to carry out the scope of work.

2. What regional institutions or information networks exist that have the present or potential capacity to address identified regional or sub-regional needs?

To address these questions, the contractor shall:

- a. Meet and talk with knowledgeable staff of USAID bi-lateral Missions to solicit their help in identifying institutions, networks, and regional experts for further exploration.
- b. Meet with knowledgeable staff of the Inter-American Development Bank and the World Bank to solicit their help in identifying institutions, networks, and regional experts for further exploration.
- c. Meet with key staff of relevant organizations or information networks to understand their mission and activities and to roughly characterize the state of organizational development.
- d. Provide brief profiles of appropriate institutions and networks and knowledgeable people associated with them.
- e. Conduct any other activities deemed necessary to carry out the scope of work.

3. What lessons does the LAC Regional Local Governance project (589-0799) demonstrate that are useful to future programming, bi-lateral or regional?

To address these questions, the team shall:

- a. Review project documents
- b. Conduct site visits where major project activities were carried out in Paraguay and Chile
- c. Interview knowledgeable former and present USAID, host government, and NGO personnel.
- d. Talk with project related staff in RHUDO/SA and contractors at Florida International

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- University.
- e. Any other activities deemed necessary to carry out the scope of work.

VI. TEAM COMPOSITION AND PARTICIPATION

The proposed assessment team will consist of four members including one USAID direct-hire person and another professional that has worked closely with USAID local governance programs in the field. USAID seeks two outside technical consultants with a mix of background, skills, and expertise in the following areas:

Decentralization - At least one of the consultants should have expertise related to decentralization efforts throughout the region and the political dynamics associated with those efforts; they should have knowledge of trends, experiences, policies, constraints and opportunities for successful decentralization in LAC countries.

Citizen participation - At least one of the consultants should have expertise related to citizen participation in local government and political dynamics associated with efforts to promote greater participation; they should have knowledge of trends, experiences, policies, constraints, and opportunities for promoting local participation in decision making in LAC countries.

Local governance - At least one of the consultants should have expertise related to local governance and efforts to build local capacity in municipal government throughout the region; they should have knowledge of trends, experiences, policies, constraints and opportunities for successful decentralization in LAC countries.

Given USAID's interest in the impact of decentralization and local governance programs on democratization, consultants with political science/democracy backgrounds are preferred over those with a public administration orientation. Consultants should be fluent in Spanish (minimum FSI 3/3), knowledgeable of development programming in the areas of decentralization, municipal development, and local governance, and familiar with USAID organization, procedures, and strategies.

One of the consultants should serve as team leader with overall responsibility for establishing workplans, assigning responsibilities to team members, managing logistics, and overseeing the drafting and delivery of an assessment report as outlined below.

VII. PROCEDURES: SCHEDULE AND LOGISTICS

The assessment team will need to spend some initial time in Washington to review documents, contact Washington-based staff working in decentralization and local governance efforts for

USAID, the World Bank and the IDB, contact Missions for initial fact finding and scheduling, and develop a final work plan in coordination with LAC/RSD-DHR staff.

It is expected that members of the team would travel to Bolivia, Chile, Paraguay, Peru, and Ecuador. Working with LAC/RSD-DHR staff, the team will canvass these Missions via telegrams and E-mails prior to traveling to conduct initial fact finding on the role, mechanisms and interest in regional assistance in local governance. Additional USAID missions to be addressed by the assessment which may be visited depending on funding for travel are Guyana and Brazil. These countries should be canvassed via e-mail and telephone along with the Dominican Republic.

Once fieldwork is completed and initial outlines of the assessment have been developed, one or more members of the team should provide a debriefing for LAC/RSD-DHR staff in Washington.

Team members are expected to supply meeting space, portable computers and all administrative support necessary for travel arrangements, meeting logistics, report preparation, etc. The assessment should begin as soon as possible and be completed within 30 days. A six-day work week is authorized.

VIII. REPORTING AND DISSEMINATION REQUIREMENTS

The team will provide debriefings to LAC staff and an assessment report as outlined below. The assessment report will provide findings, conclusions, and recommendations responsive to questions in the Statement of Work above. The analysis must be structured so that conclusions follow logically from findings and represent the team's interpretation of facts gathered during the assessment.

Reporting requirements include:

- A. Workplan for Conducting the Assessment** - The Team must prepare a preliminary workplan for presentation to LAC staff at the initial meeting. A finalized workplan, including methodology and schedule of activities, must be provided within six days of beginning the assessment.
- B. Draft Report and Debriefing** - Prior to departing from Washington, the Team must submit a draft assessment report and provide a debriefing for LAC staff that includes findings, conclusions, and recommendations. LAC will provide comments on the draft report within 10 work days.
- C. Final Report** - The Team shall submit a final report incorporating LAC staff comments, responding to questions posed in the Statement of Work, and outlining findings, conclusions, and recommendations two weeks following receipt of comments on the

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draft report from LAC staff. The assessment report must contain the following sections:

- **Executive Summary.** A summary of the overall assessment that incorporates the main points of all other sections and highlights the major findings, conclusions, and recommendations. This section also becomes part of an Agency-side evaluation database. The executive summary should not exceed three single-spaced pages.
- **Statement of Conclusions and Recommendations.** Conclusions should be short and succinct, with the topic identified by a short sub-heading related to the questions posed in the Statement of Work. Though this section may appear repetitious of elements of the Executive Summary, it is designed to facilitate LAC's formal review of the assessment by grouping all the recommendations.

Recommendations must correspond to the conclusions; whenever possible, the recommendations should specify who, or what agency, should take the recommended actions.

- **Body of the Report.** The report is to include a description of the regional context in which the activities were developed and carried out, and provide the information (evidence and analysis) on which the conclusions and recommendations are based.

The body of the report should be no more than 30 pages with any detailed information and analysis placed in appendices.

Ten copies of the final assessment report must be submitted along with a computer diskette with the report in WordPerfect 5.1/5.2 format and any accompanying tables or charts in either WordPerfect or Lotus 1-2-3 format.

- D. **Assessment Abstract** - The Team shall provide a brief abstract of the assessment for use by USAID in disseminating information about the assessment. This abstract shall be a further summary of the same information as the Executive Summary within the space limitations of one single-spaced page, preferably less.