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Constructing local democracy in Bolivia

Decentralization and rural development

Martin Vogel

Abstract

Decentralization has in recent decades become a common concept in public policy making especially in developing countries. The concept, defined here as the transfer of functions, responsibilities and financial resources to lower levels of government, is further expected to have a positive effect on a country's development process by reducing the inefficiency associated with a centralized form of government, by increasing the accountability in local government and by making local politics more participatory. Bolivia, one of the poorest countries in South America, implemented policies of decentralization in 1994 through the Law on Popular Participation (LPP) with the aim of improving the living standards of the Bolivian population, and especially the country's rural poor. The aim of this study has been to analyze the effects of the decentralization process in Bolivia in relation to local governance and rural development. A second aim has been to analyze the impact that the socialist MAS-government has had on the rural development process. Semi-structured interviews and analysis of secondary sources was used to obtain the information underlying this study.

The LPP was introduced under the time when neoliberal ideas dominated Bolivian politics in an attempt by the Bolivian government at the time to align itself with the pressure for democracy which has been an increasingly powerful global force in the postmodern world. The study concludes that although the implementation of decentralization reforms in Bolivia led to more participative politics and increased opportunities for rural development, the success is mitigated at the municipal level due to unequal results nationwide. The MAS government has, as a reaction to previous neoliberal politics, sought to reestablish the role of the state, which in turn threatens the local autonomy for governance.

Key words; Decentralization, Poverty, Rural development, Participation, Neoliberalism, Morales

Word count: 19, 507

List of abbreviations

CV: Comité de Vigilancia

FAM: Federación de Asociaciones Municipales de Bolivia

GTZ: Deutsche Gesellschaft für Technische Zusammenarbeit

ICSID: International Centre for Settlement of Investment Disputes

IMF: International Monetary Fund

INE: Instituto Nacional de Estadísticas

INIAF: Instituto Nacional de Innovación Agropecuaria y Forestal

LPP: Ley de Participación Popular

MAS: Movimiento al Socialismo

MNR: Movimiento Nacionalista Revolucionario

NGO: Non-Governmental Organizations

OTB: Organización Territorial de Base

PAR: Proyecto Alianzas Rurales

PDM: Plan de Desarrollo Municipal

PRSP: Poverty Reduction Strategy Papers

SAP: Structural Adjustment Program

SIDA: Swedish International Development Cooperation Agency

UN: United Nations

UNDP: United Nations Development Program

UPP: Unión de Participación Popular

Table of contents

| | | |
|----------|---|-----------|
| 1 | Introduction..... | 1 |
| 1.1 | Background and relevance of study | 1 |
| 1.1.1 | Statement of purpose | 3 |
| 1.2 | Literature Review | 4 |
| 1.2.1 | Civil society..... | 4 |
| 1.2.2 | Decentralization | 5 |
| 1.2.3 | Good Governance..... | 7 |
| 1.2.4 | Participation | 8 |
| 1.2.5 | Accountability and Legitimacy in Government | 9 |
| 2 | Methodology | 10 |
| 2.1 | Fieldwork | 10 |
| 2.2 | Purposive sampling | 11 |
| 2.3 | Review of secondary sources | 11 |
| 2.4 | Semi-structured interviews..... | 12 |
| 2.5 | Limitations | 12 |
| 2.6 | Delimitations | 13 |
| 3 | Theoretical framework..... | 14 |
| 3.1 | Decentralization and local governance | 14 |
| 3.1.1 | Local Governance and civil society | 16 |
| 3.2 | Poverty and rural development | 17 |
| 4 | Decentralization in Bolivia: An overview | 19 |
| 4.1 | Political background..... | 19 |
| 4.2 | Bolivian politics and neo-liberalism 1982-2005 | 20 |
| 4.3 | The Law of Popular Participation (LPP)..... | 23 |
| 4.3.1 | The implementation of the LPP | 25 |
| 4.4 | The LPP and the institutional context | 26 |
| 4.4.1 | The Local government | 26 |
| 4.4.2 | Territorial Base Organizations | 27 |
| 4.4.3 | Oversight Committees..... | 28 |
| 4.4.4 | Non-governmental organizations | 28 |
| 5 | Bolivia today..... | 30 |
| 5.1 | The Morales government 2005- | 30 |
| 5.2 | Identifying Bolivian poverty | 33 |
| 5.2.1 | The Bolivian agricultural sector and poverty reduction..... | 35 |
| 5.3 | Potential limitations to local governance | 37 |
| 5.3.1 | Regional divisions | 37 |

| | | |
|-----------|--|-----------|
| 5.3.2 | State capacity..... | 38 |
| 5.3.3 | Corruption | 39 |
| 5.3.4 | Transnational actors | 39 |
| 6 | Analysis: the Bolivian decentralization reform and its impacts..... | 40 |
| 6.1 | Local government and popular participation | 40 |
| 6.1.1 | Limitations of the OTBs..... | 42 |
| 6.1.2 | Limitations of the CVs | 43 |
| 6.2 | Decentralization and rural development | 44 |
| 6.3 | Decentralization, rural development and the MAS government..... | 47 |
| 7 | Conclusion | 51 |
| 8 | References..... | 56 |
| 9 | Appendices..... | 59 |
| 9.1 | Map of Bolivia | 59 |
| 9.2 | Interviews | 60 |
| 9.2.1 | NGOs..... | 60 |
| 9.2.2 | Others | 62 |
| 9.2.3 | Official documents | 62 |
| 9.2.4 | Questionnaire | 62 |
| 10 | Executive Summary | 64 |

1 Introduction

1.1 Background and relevance of study

Decentralization has in recent decades become a common concept in public policy making especially in developing countries. Decentralization, defined here as the transfer of functions, responsibilities and financial resources to lower levels of government, is expected to have a positive effect on a country's development process by reducing the inefficiency associated with a centralized form of government, by increasing the accountability in local government and by making local politics more participatory (*Nijenhuis, 2002: 17, Montambeault, 2007:114*). Decentralization is further conceived as a fundamental element in *good governance*, a concept concerning the relationship between the state and the society in dealing with economic, political and administrative authority. This view on decentralization has been adopted by the international financial institutions, e.g. in the World Bank, whose report on development in 1997 targeted decentralization of governance as a means towards good governance in developing countries (*World Bank, 1997:11*). It has been theorized that the shifting of the locus of power away from centralized authorities make public service provision more efficient due to better targeted policies and lower transaction costs (*Reyes-Garcia et al., 2010: 229*). Governance and decentralization are thus interlinked as concepts, supporting and promoting local development in all its dimensions. There is no guarantee however that decentralization automatically leads to good governance and local development. Bearing in mind that decentralization does not come in any standardized form, it thus becomes necessary to look deeper into the conditions that lie behind the shaping of the process and the development of a participatory, local governance (*Nijenhuis, 2002: 17-18*).

Bolivia, one of the poorest countries in South America, implemented policies of decentralization in 1994 through the Law on Popular Participation (LPP) with the aim of improving the living standards of the Bolivian population, and especially the country's rural poor (*Nijenhuis, 2002: 52-53*). The implementation of the LPP meant a major pass toward political reformation in order to better represent the interests of the poor, and included

mechanism to empower grassroots organizations, such as indigenous groups and urban neighborhood councils, along with local governments. One of its main functions included a coordinated effort to create and implement development plans which would operate on the principle that local actors are best qualified to address and identify local needs (*Garcia-Guerra & Sample, 2008: 32*).

In the Andean region, democracy has now become the dominant form of government, after decades of military rule. However, the political transformation has not succeeded in resolving the persisting problem of poverty, inequality and inequity in the region, problems which to the highest degree affect both the economic and the political development process (*Garcia-Guerra & Sample, 2008: 16*). Pro-poor reforms in Bolivia have been hampered by economic and structural factors as well the weakness and polarization of its political party system. The Bolivian economy has historically been export-oriented which has had effects on the development of productivity and employment within the country. In regard to this, efforts to reduce poverty have not succeeded even though certain economic growth has been noted in recent years (*World Bank, 2003*). Poverty and inequality rates still remain among the highest in all of Latin America (*Garcia-Guerra & Sample, 2008:29*). Eversole argues that the understanding of institutions is at the heart of understanding and changing poverty, but it requires attention to both macro and micro scales. In the case of Bolivia with a majority of indigenous population, institutional reform related to indigenous participation has been on the agenda now for nearly two decades (*Eversole, 2010: 78*).

With the debate on decentralization in mind, this study aims to analyze the contribution of decentralization to local governance and rural development in Bolivia, with focus on poverty reduction defined in accordance with the capability approach (*Sen, 2001: 87-88*). Additionally, this study seeks to investigate how the conditions for local governance and local development have been affected by the recent changes in Bolivian politics that came with the election of the MAS party (*Movimiento al Socialismo*) in 2005.

The current Bolivian government runs a strongly anti-liberal political agenda, in which it seeks to recuperate some of the state functions that were lost during the neoliberal model of politics which were implemented in the 1980s and prevailed up until the elections in 2005, when Bolivia saw its first indigenous president, Evo Morales, take office as president of the republic.

1.1.1 Statement of purpose

This study aims to analyze the effect that decentralization had, and still has today, in forming the conditions for poverty reduction, local participation and local governance in Bolivia. The study further investigates how these conditions have been affected by recent political changes in Bolivia. The central question guiding this study is thus as follows;

“What have the effects of decentralization been in Bolivia in relation to local governance, rural development and rural democracy and how are the conditions for local governance affected by the recent changes in Bolivian politics?”

With this overarching question in mind the following sub-questions were compiled;

1. What are the main characteristics of the Bolivian decentralization reforms and what are the effects on local governance and rural development in the country?
2. How did the decentralization process affect the political structure in Bolivia?
3. To what degree has decentralization contributed to a more transparent, accountable and participatory local government?
4. How has the process of rural development been affected by the recent changes in Bolivian government?

I wish to study the state of Bolivian local democracy, the forces that have influenced in shaping it and the forces that currently affect its development. I further wish to tie this investigation to an analysis of Bolivian rural development and poverty alleviation, defined here in terms of capabilities.

1.2 Literature Review

1.2.1 Civil society

The academic discourse around the concept of civil society can be divided into three broad categories; conservative, liberal and radical. In lights of this, liberals normally look upon the civil society as a countervailing force against an unresponsive and corrupt state. Conservatives, on the other hand, see in the civil society the beneficial effects of globalization for the development of democracy and economic progress, while from a radical point of view, civil society is seen as a carrier of the forces of resistance and opposition (*Petras & Weltmeyer, 2005: 10*). In this study, civil society is defined, not as in opposition to the state but rather with a collectivist perspective including all types of social groups, associations, neighborhood committees, social movements and indigenous groups, beneficial to the development of democracy, both upward and downward. This view on the civil society goes in line with such authors as Murray (2007), who argues that civil society is not about minimizing the state, but rather increasing the responsiveness of political institutions. Participatory governance is further central to that project (*Murray et al., 2007: 443-444*). In order to understand the quality of democracy it is necessary to clarify how democracy is defined. In my study I follow the definition given by Montambeault (2008) who defines the concept in substantive terms, focusing on factors such as vertical and horizontal accountability, presence of citizen rights for which the existence of an autonomous and inclusive civil society, able to organize collectively and press demands on the state, is essential (*Montambeault, 2008: 115-116*).

Scholars have argued that the balance between state power and civil society is an important factor for sustaining democracy. Latin American experience points to the importance to democracy of a state balanced by a pluralistic, autonomously organized civil society to check the power of the state and give expression to popular interests (*Smith, 1996: 166, Montambeault, 2008, Kohl, 2010*). A relationship has also been observed by scholars between decentralization and democratic stability through the contribution from local government, creating governmental effectiveness and thereby legitimacy. It thus becomes important to understand what makes for successful local government. As capacity develops, problems are dealt with more effectively, confidence among constituents, central government and NGOs/international donors intensifies, resources and support increase and local capacity for

good policy making and management develops even further. Local authorities may further strengthen the democratic political culture by deepening experience of democratic decision making. As far as space for civic organization goes, experiences drawn from Latin American history point to the fact that the stronger and more democratically organized the public sector, the more effective these organizations are in negotiating on behalf of local interests and sharing in the provision of local services (*Kohl, 2010: 173-174*). Weak institutions and political instability has characterized Bolivia ever since the country's independence from Spain in 1825, due to authoritarian, revolutionary and military regimes. Democracy entered the country as late as 1982 with the election of the Siles Zuazo government. The new democratic regime inherited traditional social and political structures of centralism and exclusion. State intervention in the economy had traditionally been strong and resources have typically been directed towards bigger urban areas at expense of less developed, rural areas. The exclusion of the rural population, mainly indigenous, meant that even if democracy was formally introduced in 1982, there was an important limit as far as the quality of the democratic system goes (*Montambeault, 2008: 118*). Changing the institutional framework into a more participatory structure for development and politics has in light of this been argued to be established by the decentralization of decision-making capacity and associated responsibilities from the national to the local level, thereby increasing the political space for civic organizations (*Petras & Weltmeyer, 2005: 11*).

1.2.2 Decentralization

Decentralization has been the focus of many policy experiments in the last two decades in a large number of developing countries and transition economies in Latin America. The concept was for example embraced by the World Bank as one of the major governance reforms on its agenda (e.g. World Bank, 2000).

There is no generally accepted definition on the concept of decentralization and its effects on local politics and local governance. Many scholars question the assumed effectiveness and inherited beneficiary effects of the decentralization of politics (*Nijenhuis, 2002: 25*). There is both polarization and consensus around the issue of such policies. Even though it is generally acknowledged that the implementation of such processes would typically increase people's political participation and influence in government, the risk of corruption and the consolidation of power by local elites is considered to be high (*Garcia-Guerra & Sample,*

2008:17-18). However, generally speaking, processes of decentralization have meant the implementation of political mechanisms that facilitate participation by, and representation of the poor in local government decision making (*ibid*: 19).

Nijenhuis (2002) presents a categorization of four different kinds of decentralization; political, administrative, fiscal and economic. *Political* decentralization aims to increase the power in the policy-making process with the local population and their elected representatives. It is also meant to strengthen democracy by giving citizens or their representatives more influence in the process of formulating and implementing policies that affect their interests. A strong argument in favor of political decentralization is that it may improve the relationship between citizens and their policy makers by narrowing the gap between them. *Administrative* decentralization on the other hand merely aims at distributing powers, responsibilities and financial resources, which are needed for the provision of services within the public sector, from the central government to field of government agencies, lower-level units or semi-autonomous units. Thirdly, *economic* decentralization, also referred to as market decentralization, may be considered, at least from the point of view of the central government, as the most complete form of decentralization. Here, functions and responsibilities are transferred from the public to the private sector. This is normally done by privatization and deregulation, transferring former governmental functions to enterprises, community groups, cooperatives and NGOs. It can further mean that services are entirely provided for by private enterprises, or through public-private partnerships. It is further an important factor that decentralized units have sufficient financial funding and the power to make investment decisions, in order to successfully implement the transferred responsibilities in the provision of services. This could be done with fiscal decentralization, which can serve as an instrument for such *financial* autonomy (Nijenhuis, 2002:23).

In light of the classification presented by Nijenhuis, in this study I will focus on the *political* decentralization in Bolivia, looking deeper into how the process of decentralization has affected popular participation in local government policy making and also the effect it has had on the development of local democracy. Decentralization is thus not only seen as an administrative reform but rather a political process. Scholars such as Montambeault (2008) argue that in order to understand the patterns of power distribution and interactions between decentralized institutions of governance it is necessary to look further into the relations between state and society (Montambeault, 2008: 115, Nijenhuis, 2002, Bardhan, 2002). In

light of authors such as Garcia-Guerra & Sample (2008) the view on decentralization in this study is further that it holds the potential to increase popular participation in politics, essentially targeting rural poor and marginalized peoples, with increased access to resources (*Garcia-Guerra & Sample, 2008:17*). I further align myself with the arguments of Schakel (2010) who argues that centralization and decentralization should be conceived as concentration, respectively, diffusion or sharing of authority rather than “closer to or away from the national government”. Decentralization is instead better understood as sharing of authority over multiple tiers whereas centralization should denote concentration of authority as a particular tier, which might scale from the local to the global (*Schakel, 2010: 349*).

1.2.3 Good Governance

Governance is a relatively new concept on the research agenda and is often viewed as a desiderated outcome of democratic decentralization, which in turn is commonly assumed to be a prerequisite for economic development and good governance. Some authors however state the relationship to be the opposite, meaning that for decentralization to work, a situation of good governance must already exist (*Kohl, 2003: 153*). Within the development paradigm, the 1990s and the first decade of the twenty-first century have seen a shift away from simple commitment to market liberalization. Free market and liberal economic policies are now seen, by principally leading bilateral and multilateral donors, to be important but not enough on their own in order to effectively bring about human and economic development. Markets depend on effective states, made effective by the participation of its citizens (*World Bank, 2008*). Failures in earlier structural adjustment programs (SAPs) have contributed to a renewed concern with the capacity of states and their support of the institutional conditions within which markets and citizens can flourish. These conditions include clear property rights, the rule of law, financial systems, active civil society, “good government” and effective public administration. However, this does not mean a simple return to previous conceptions of the state’s role as the lead agent in development. Government and public administration here perform their own functions, but will at the same time interact and support private and community actors. The “governance” is often used to describe this broader view of the way that government should function (*Batley, 2008: 137-138*). Neo-liberalism, which inspired the SAPs in the 1980s, supported the idea of democratic politics and the creation of an efficient and accountable public policy as part of a free market economy. The concentration of political and economic power in the hands of the central state was seen as immoderate and

counterproductive. Economic and political liberalization, decentralization and governance thus came to dominate the development debate. Several definitions of governance have been formulated since the concept first appeared on the development agenda. It is commonly referred to as the relationship between civil society and the state, between rulers and the ruled and the state and society. Much debated, the concept has now become widely accepted as the socio-economic, political and economic relationship between the various actors of the public and private institutions of civil society (*Nijenhuis, 2002:29-30*). Good governance can thus be seen as a desirable outcome of decentralization. Governance is here viewed in light of these arguments and aligned with authors such as Petras and Weltmeyer (2005) as the replacement of mechanisms of political control, normally associated with the nation state, by a more horizontal structure of politics (*Petras & Weltmeyer, 2005: 14-15*).

1.2.4 Participation

The concept of participation has undergone some fundamental changes of meaning. From having been used in a context of social participation, referring to sharing in community affairs and in the implementation of development projects, the term has now gained a somewhat wider significance and has come to include the sharing of the population in local decision-making processes, which is a result of the implementation of democratic decentralization. The relationship between decentralization and popular participation is twofold; on the one hand decentralization can provide for increased opportunities for popular participation, while at the same time more participative politics may aid the process of decentralization by increasing the effectiveness and efficiency of development projects and public programs at the local level (*Nijenhuis, 2002: 30-31*). Opening up the channels of communication between government and the “governed” further implies that the needs of the rural population has an increased opportunity to be taken into account. It thus seems reasonable to argue that if poverty alleviation constitutes a goal of development programs, rural politics and development must be inclusive and participative. Given the role of agriculture in Bolivia, whose activities provides the basis for the livelihoods of many of the rural poor, it further seems reasonable to focus on the development of this area. An even more convincing argument for more inclusive rural development is presented by Bebbington (1993) and lies in the fact that the farmer sector remains economically important, particularly in producing basic food stuff for domestic markets (*Bebbington, 1993: 14*). By increasing participation in the local politics and rural development process, accountability is increased which further can be

tied to the process of democratization of local governance. Rural democratization includes “the emergence and consolidation of social and political institutions capable of representing rural interests, vis-à-vis the state (ibid: 20).

1.2.5 Accountability and Legitimacy in Government

In politics, accountability refers to the possibility to clearly state who is responsible for what (Burki et al., 1999: 5). This aspect relates to the political authority in the sense that the accountable should have the authority to deliver results. Another definition, given by the UNDP (2010) goes further into detail; “the requirements that officials answer to stakeholders on the disposal of their powers and duties, act on criticisms or requirements made of them and accept some responsibility for failure” (UNDP, 2010). Accountability can also give the rulers the incentive to listen to what people want if they have to face their criticism and seek support in elections (*Sen, 2001:152*).

Transparency in government allows stakeholders to gain access to information and to check how the political leaders are performing in their duties as representatives for the people they are representing. This further means that people in a decision-making process can defend their interests. Whether a process is transparent or not depends on a number of factors such as the presence of clear procedures for public decision-making, open channels of communication between stakeholder and officials and access to information. It is said that decentralization generally makes for better transparency which in turn enhances the legitimacy of local political institutions (*Nijenhuis, 2002:33*).

Transparency and accountability at the local level is often limited, due to the risk of unequal local power structures in developing countries. The two concepts are however highly related, as greater transparency in government institutions can provide for enhanced accountability to their activities (*ibid: 34*).

2 Methodology

In this section I will present an overview of the choices of methods I made in order to find the answers to my research questions. To analyze the effects of decentralization in Bolivia I choose to use a case study method combined with a short period of field work in the region of Cochabamba. The field work comprised interviews¹ and the collection of secondary data.

2.1 Fieldwork

My field work was conducted in the year of 2010 in the region of Cochabamba, and in the city of La Paz, Bolivia. The total duration of the investigation was three months, March to May, during which I collected first- and second hand information that could aid me in my research.

Establishing a good contact in the field was key to my fieldwork. I thus contacted SIDA and GTZ who are both working in the field of rural development and hold vital information that served me in guidance and general information. As soon as I made my arrival to Bolivia I made contact with the organizations as I saw it as an important matter getting settled in the current context in order to properly investigate the specific problem central to this thesis.

Studies on micro-level is usually closely tied to field work, in contrast to macro-level studies which more often are concerned with policy studies at national and international levels. However, the challenge here is to understand the linkages between the macro- meso- and macro- levels in order to see how decentralization, a policy from macro-level politics, affected the organization of politics at the two other levels (*Mikkelsen, 2005: 49*). The concept of participation has during the last decade become a central one in the mainstream development discourse. Thus, from constituting an alternative approach to development focusing on the

¹ For questionnaire, see appendices

micro level, the content of the concept, e.g. people, community and civil society actors, are now also central at the macro level in mainstream development policy (*ibid.*:56).

2.2 Purposive sampling

The selection of respondents and sampling is considered one of the critical areas in the sound use of qualitative studies (*Mikkelsen, 2005:193*). I focused on informants that worked close to the area under study. Being a multi-faceted context, with a need to investigate on macro-meso- and micro- levels I had to include people from every sphere in my research. Although the process of decentralization in Bolivia was initiated from above I realized I would not get the full understanding of the situation only by interviewing officials from the national government. Although such officials served as important elements to my study, I also had to include informant from the municipal level, as well as from the civil society, e.g. NGOs and social movements. Essentially I was looking to interview key informants, with special knowledge on the subject. *Outsider* informants can further be valuable as key informants, able to give an objective image of the research problem (*ibid: 172*).

2.3 Review of secondary sources

In any type of research the use of secondary sources can be very fruitful to the investigation (*ibid: 87*). In my own study I made use of different official reports, data from the Bolivian Bureau of Statistics (INE) and documents which I was able to download from the internet, e.g. reports from the government, international aid agencies and local NGOs. When conducting my interviews I further got access to secondary material from the different key actors I was interviewing. The secondary material that has been used in this study has been written and published by numerous authors of different background, with the intention of including a variety of sources in order to avoid a biased analysis and discussion.

2.4 Semi-structured interviews

During the period of my fieldwork I conducted a number of semi-structured interviews with key actors in relation to the political reality and local development in Bolivia. By using semi-structured interviews I was allowed to follow a certain thematic schedule, while at the same time leaving space for the interviewees to develop their proper answers. This technique thus serves as a way to ensure that the topics regarded as important to the research are covered while also providing for spontaneous responses (*Willis, 2006: 144-145*).

The method of interviews is a good way to obtain factual and detailed information that cannot be obtained from other types of sources. In order to prevent very short answers the questions that were designed for this study were made to be open-ended. The interviews were further recorded, thus allowing me to fully concentrate on the task of interviewing, as opposed to being occupied with taking notes. Clearing with the interviewees that they were going to be recorded was of course an initial stage of every interview (*Willis, 2006: 146-149*). For respondents to my interviews I focused on key individuals, working closely to the area of my interest, with particular insight about the topic under study. I consulted a number of different sources as to who could be of key importance to my study. Gathering this type of information from different sources further ensures avoidance of a biased view (*Mikkelsen, 2005:89*).

2.5 Limitations

The study of a specific case implies that any type of generalization should be handled with care. To serve as a foundation for generalization, a case study should preferably be related to a theoretical framework. Mikkelsen (2005) states that one could increase the level of “generalizability” by selecting a critical case for the study, in other words a case of strategic importance in relation to the general area of interest (*ibid:92*). The area of interest in this context is the Bolivian decentralization of politics, where by this study I am intending to gain in-depth knowledge about how these politics have influenced the process of rural development in terms of poverty reduction and local democracy. It must however be mentioned that any program of decentralization is highly contextual, due to differences in contextual political and economic factors. I do therefore not intend to present any results

meant for further generalization of the effects of decentralization, but rather a deeper understanding of the Bolivian reality.

2.6 Delimitations

Empirical work on decentralization can be divided into two broad groups: qualitative (small sample) and quantitative (large sample). The former usually focuses on a single country, or on a small set of countries, relying in first hand on descriptive and qualitative evidence. This method is characterized by careful and deep analysis, but suffers from low levels of generality and an excess of variables over observations, making it a difficult task to control for exogenous factors. Quantitative studies benefit from a high degree of generality, consistency and empirical transparency. But these types of study also suffer from the problem of quantifying nuanced concepts (*Faguet, 2009: 30*). I have in this study made use of the qualitative technique, acknowledging the problem of generality. However, keeping in mind that this work is a case study, the intention was not to provide for general results, rather a deeper understanding for a specific context. Qualitative methods can further be criticized for being too subjective which is why it is of great importance to pursue the criterion of transparency. It is important for the research's results to be independent from the researcher conducting the research, a criterion more easily met when conducting a quantitative research, given that this type of research is often based on relatively simple instruments of measurement, e.g. a questionnaire (*Esaiasson et. al, 2007: 23*).

Validity is another important methodological aspect which determines to what extent there actually is congruency between the theoretical concepts and the operational indicators. The question is if we are examining what we intend to examine (*ibid: 63-64*). I have in light of this sought to operationalize my key concepts in order make this research more accurate.

3 Theoretical framework

In this chapter I aim to give a theoretical presentation on the two concepts central to this study; decentralization and poverty. Decentralization is in the following discussion related to the process of rural development, whereas the chapter on poverty tries to highlight the different views on poverty, and how it can be related to political participation.

3.1 Decentralization and local governance

Decentralization is widely believed to carry a range of benefits for democracy, mainly on account of that the many failures of the centralized state everywhere have led to its loss of a great deal of legitimacy. Decentralization is often suggested as a way of reducing the role of the state in general by fragmenting central authority and by introducing more intergovernmental checks and balances and is further viewed as a way to make government more responsive and efficient (*Bardhan, 2002: 185*). The benefits of reducing state power has especially been emphasized by free-market economists and, in light of this decentralization has in some cases been used synonymously to privatization, especially by organizations pushing structural adjustments and transitional reform (*Nijenhuis, 2002: 23*).

In comparing decentralization and centralization the political agency problem is an important concern. Citizens are viewed as principals and their elected representatives as agents. The local government has better means to be responsive and also better incentives on account that they are elected. In the case of centralization, the number of principals is very high, while the number of agents is smaller. In the case of decentralization on the other hand, there is one agent per locality. This theory further states that the larger the number of principals, the more difficult the task of coordination in contracting with agents becomes (*Bardhan, 2002: 192*). However, local governments are more affected by the likelihood of corruption or capture of power by local elites. On the other hand, corruption among central bureaucrats may lead to inefficient and inequitable delivery of services (*ibid. 193*). When the likelihood for capture of local governments is high, decentralization programs have to focus a great deal of attention on

strengthening local accountability mechanisms. In many developing countries it is often the case that local accountability is not in place, and that local governments are at the mercy of local power elites who may complicate the goal of reaching the conditions of good governance. This means that in order to be truly efficient, decentralization must accompany serious attempts to change the existing structures of power within communities and to improve the opportunities for participation. Faguet (2009) argues that the outcomes of decentralization, in any given country, are to a large extent determined by local-level political and institutional dynamics. With this argument, the author departs from the traditional understanding of decentralization in which the analytical approach is from the top down (*Faguet, 2009: 31*). This study aligns itself to the thinking of Faguet (2009), treating decentralization as a single reform which sets into motion a large number of local processes. In light of these arguments, decentralization becomes something more than just weakening the central state, but rather fundamentally about making governance at the local level more responsive to the needs of the large majority of the population (*Bardhan, 2002: 195, 202*). Furthermore, decentralization has been argued to hold the potential of making local governments more accountable, citizens more participative and to increase the local politicians' responsiveness to local needs. It is thus seen as an important factor in the deepening of democracy. Montambeault (2008) argue that the process of decentralization should not be seen as merely an administrative reform devolving powers from central to local levels of government but should rather be seen as a political process involving both actors from the state and from the civil society (*Montambeault, 2008:114*). According to this view, decentralization could further bring about important changes in the creation of citizenry and participation at community level. Decentralization has however not been given a generally accepted definition and different people put different meanings to the concept (*Bardhan, 2002: 186*). In my study I will focus on the type of decentralization which means the devolutions of political decision-making power to local-level political entities.

Scholars have further argued that decentralization reforms have the potential to promote democratization and stimulate the growth of civil society by allowing people to participate in local politics and, consequently, hold local governments accountable (*Reyes-Garcia et al., 2010: 230*). However this link has been proven to be less than axiomatic. Where local institutions fulfill the needs of the citizens, decentralization can strengthen citizen support of politics at a national level, but where the performance of local institutions falters, decentralization can spread corruption and favor entrenched local elites. Fundamental and

meaningful democratic decentralization implies downward accountability, when citizens can hold their officials accountable. However in most developing countries formal rules are poorly enforced and oversight of government is weak. In order to ensure downward accountability, citizens in developing countries must rely on instruments such as participation in elections and referenda, or the presence of multiple political parties (*ibid.* 232).

3.1.1 Local Governance and civil society

According to Faguet (2009), local government's environment is partly defined by the government's relationship with the civil society, conceived as a collectivity, as opposed to atomized individuals, and the relationships of these collectivities with the institutions of government. Where governance is concerned, local civil society functions as a complex of organizations, which aggregate preferences and represent community needs, mediate community participation in the production of certain services, and facilitate social expression. They also work to mobilize voters and enforce accountability on the political institutions of government. Local government thus depends on the relationships that collectively make up civil society to elicit information necessary to the policymaking process, to judge efficacy of previous interventions, and to plan for the future. Politicians in turn also depend on these relationships to gain public satisfaction with their performance between elections. The organizational dynamic of civil society is thus intrinsic to the process of local governance (Faguet, 2009: 43).

The insertion of civil society into the institutional framework of local governance occurs both during elections, as organizations try to convince the electorate, and afterward, once a given political party has assumed control over the institutions of local government. Civic organization's main functions include the representation and aggregation of individual preferences into coherent collective positions, coordination among members, and information transmission upward to authority and downward to grassroots organizations. They thus constitute a system of representation parallel to that carried out by parties in the context of political competition. The very pursuit of these functions makes civil organizations natural vehicles for imposing accountability on government from the grassroots. Civic groups, in effect, lower the cost of political mobilization for parties and by acting as interlocutors. This may further lead to an increase in the substance of political competition as demands are taken

up from grassroots by civic groups, transmitted to candidates and parties, and inserted into a broader policy debate. This in turn, promotes participation in policy discussions and in elections by making political competition relevant to ordinary voters (*ibid*: 45-46).

3.2 Poverty and rural development

There is no one definition of the concept of poverty and the manner in which one defines it is likely to influence the very understanding of development. If poverty is defined in economic terms, interventions will probably focus on economic issues like absolute growth for example. If poverty on the other hand is defined as a national phenomenon, then interventions are likely to be incorporated into national-level politics. Income-based definitions of poverty are based on the state in which an individual lacks the financial resources to satisfy his or her basic needs. This definition is fairly common, and further provides for a measurable cut-off between who is poor and who is not. This kind of definition has however received critiques for not fully grasping the full nature of poverty (*Misturelli & Hefferman, 2008:667*). Sen (2001) argues in line with these critiques, stating that reduction of income poverty alone cannot possibly be the ultimate motivation of antipoverty policy (*Sen, 2001:92*).

The capability approach provides contrasting definitions to the above. According to this approach, poverty is defined in terms of capability deprivation, concentrating on factors that are intrinsically important to poverty alleviation, as opposed to income, which is instrumentally important. It thus focuses on the influences on capability deprivation other than lowness of income (*ibid*: 87-88). Within this definition, income and economic growth thus become instruments to support human development but not a goal in itself. It is however increasingly common for authors and researchers to treat poverty as a concept without a neutral and constant condition, but rather its origins may be found in unequal social and economic relations as well as specific political choices. This definition belongs to a multi-dimensional notion of poverty, according to which the constructs of poverty are to a large extent linked to the participatory paradigm (*Misturelli & Hefferman, 2008:667*). The evaluative focus of the capability approach can be on either the *realized* functionings or on the *capability set* of alternatives a person has. These two approaches provide for different information, the former about the things a person does and the latter about the things a person is free to do (*Sen, 2001: 75*). In poverty analysis, this approach serves to enhance the

understanding of the nature and causes of poverty by shifting primary focus from the *means* to the *ends* of poverty alleviation and economic/human development (*ibid*: 90). The question of public debate and popular participation is thus central to the making of policy in a democratic framework. The participatory freedoms must thus be central to the analysis of public policy (*ibid*: 110).

There is generally much support for a relative definition, defining the *state* of pro-poor development. Klasen (2007) concludes that relying on income growth to solve the non-income deprivation problem is unlikely to be the most effective approach to addressing non-income poverty (*ibid*: 440). Although local industrialization through the attraction of outside investment might be a viable strategy in larger cities, it is hardly a realistic option in large parts of the rural areas in Latin America (*Nijenhuis, 2002: 35*). Lathrop (1997) argues that there lies a danger in focusing exclusively on economic issues when considering rural development. Instead the author argues that rural development should be driven by a strategy which increases people's access to opportunities. Increasing the opportunities will mainly be an economic issue, while increasing the access to these opportunities is an essentially political question (*Lathrop, 1997: 97*).

4 Decentralization in Bolivia: An overview

Bolivia is one of the poorest countries in Latin America. To fully understand this poverty and the conditions that continue to reproduce it is necessary to look into the past of Bolivian politics.

4.1 Political background

Bolivia was until 1994 one of the most centralized states in Latin America, and was built up partly by the nationalist revolution of 1952-53 and later by a combination of ideology and political convenience; civilian and military regimes built up and sustained a political structure in which power was heavily concentrated with the national government and state apparatus. It was against this background that the Bolivian decentralization reform, called the Law of Popular Participation (LPP), was introduced in January of 1994 and implemented later that same year (*Faguet, 2009: 32*), with the objective of decentralizing government by shifting political responsibility and resources to historically neglected rural communities (*Nijenhuis, 2002: 36*). The Bolivian rural population and farmers played a significant role in pushing forward this process of political transformation. Generally, despite vast numbers, farmers usually play a somewhat muted role in politics in most developing countries. In Bolivia however, ever since the agrarian revolution of 1952, farmers have presented their political demands more openly and in an increasingly aggressive way, with mass demonstrations and blockades as a means to political change. These mass demonstrations have in periods come to force government to alter its rural politics (*Handelman, 2006: 111-116*). One of the main reasons why farmers and the rural, principally indigenous, population have been so politically organized has to do with the fact that land concentration in Bolivia has been very intense, and still is to some degree, with a tradition of large estates, *latifundios*. This has resulted in limited access to arable land. Small scale farmers have instead developed a system of so called *minifundios*, consisting of small parcels of land (*ibid: 117*).

4.2 Bolivian politics and neo-liberalism 1982-2005

From 1952 to 1985 (*under military rule 1964-1982*), the Bolivian government served as the main economic actor of the country. The transition to a market-dominated economy, after a return to democratic rule in 1982, was followed by an IMF structural adjustment package in 1985. This was to a large extent designed by Bolivian technocrats with strong support from the business sector, especially those with a transnational orientation (*Kohl & Farthing, 2009:65*). The neoliberal model was introduced as a means of activating the national economy. However, the expected economic growth has up until today been virtually absent despite heightened levels of capital formation and economic development effort. The absence of economic growth has further been reflected in widespread conditions of social exclusion and persistent poverty. Instead, neoliberalism in Bolivia brought about increasing levels and diverse forms of organization within a burgeoning civil society and an intensification of the class struggle and associated political conflict and social movements (*Petras & Weltmeyer, 2005: 176-178*).

In the early 1980s, the neoliberal paradigm gained influence in the development strategies implemented in the Latin American countries. With an underlying notion of a minimalistic state, this model advocated for the withdrawal of the state from the process of economic and social development. Within the neoliberal school the state is viewed in two ways. On the one hand, it is a predatory device that would easily succumb to corruption and mismanagement. On the other hand the state is also viewed as an inefficient apparatus, in particular when it comes to allocating society's productive resources for the social distribution of national income. Thus, in its place entered the theory of free market and privatization, freed from the obstacles of government regulations and other types of interferences. During this decade, conditions for the retreat of the state entered the scene in most of the Latin American countries. The first neoliberal experiments in the region were introduced by the military regimes in the southern cone of the South American continent. A second round of implementation of the neoliberal model came under conditions or "re-democratization" which among other things included the strengthening of "civil society" at the expense of the role of the state (*ibid: 8-9*).

In 1985, due to severe problems with inflation, Bolivia's MNR government (*Movimiento Nacionalista Revolucionario*) initiated a radical program of policy reforms that included (1) a devaluation of the Bolivian currency (2) measures to liberalize the entry of foreign goods and the movement of capital in the form of direct foreign investment (3) the elimination of government regulations and subsidies in regard to product and capital markets (4) drastic reduction of the public sector, regarding employment and social programs; and (5) a significant reduction in government expenses. The quick way in which these reforms were undertaken impressed the international financial community (*Petras & Weltmeyer, 2005: 183-186*). In 1987, the Bolivian government accepted IMF guidelines that left two-thirds of export income available to foreign debt payments. Thus, Bolivia was granted the "Toronto treatment", previously reserved for Sub-Saharan countries, which condoned a third of the country's bilateral debt and reprogrammed remaining loan schedules and interests rates (*Kohl & Farthing, 2009: 65*). Funding thus became crucial for the government to meet its basic obligations, and from 1985 to 2005, around half of Bolivia's public investment was supported by international aid, averaging about 9% of the GDP annually (World Bank, 2003). This dependency naturally led to a forced alignment to the institutions' prescriptions in order to guarantee a steady flow of funds (*Kohl & Farthing, 2009: 66*). With the adoption of the SAPs in 1985, systematic government efforts were made to close down and make the Bolivian Labor Confederation (COB), one of the world's largest and strongest labor organizations ever, disappear. Once achieved, the vacuum left a plethora of social movements, reflecting the resurgence of indigenous identity (*ibid: 68*). When economic resources were redistributed according to the neoliberal logics of free market capitalist development in Bolivia, widespread discontent eventually sparked several waves of protest movements directed against the political system. This eventually led to that the neoliberal policy regimes became ungovernable, which called for new ideas (*Nijenhuis, 2002: 44-45*). The outcome was the construction of a new policy regime, consisting of a neoliberal program of macroeconomic policies combined with new anti-poverty social policies. Kohl and Farthing (2009) argue that the international financial institutions, including the World Bank and the International Monetary Fund (IMF), played a leading part in the unraveling of neoliberalism in Bolivia. In the early 1990s, both the World Bank and the IMF pressed for the privatization of income-generating state companies that seriously decreased government revenues and therefore limited the state's ability to provide for basic services (*Kohl & Farthing, 2009: 62-64*). However, economic and social development in the late 1980s and the early 1990 was

essentially state-led, while economic development during the 1990s was primarily neoliberal in its form, based on the Washington Consensus on correct policy (*Geddes, 2010: 166*).

Policies that were introduced during this period have generally been explained as a hybrid, under the name of “social liberalism”. Focusing on the reduction of the role of the state, they also sought to incorporate participatory mechanisms into politics, targeting the poor and creating the necessary conditions for democratic governance. It was in light of these developments that the politics of decentralization were created through the Law of Popular Participation of 1994 (LPP) and the Administrative Decentralization Law of 1995. Further in line with the neoliberal ideas of reducing the role of the state, several strategic state enterprises were also privatized (*Petras & Weltmeyer, 2005: 221-223*). In this way, the neoliberal regime in Bolivia sought to align itself with the pressures for democracy which has been an increasingly powerful global force in the postmodern world (O’Neill, 2004).

Between 1993 and 2003, strategies for managing the Bolivian state’s relations with the social movements and other forms of organized political opposition were introduced. These strategies included; electoral politics, local development projects and promoting democracy and good governance through the LPP, providing thereby the political stability for economic development. During these years, popular political current became part of a larger popular movement, essentially uniting in a popular struggle against neoliberalism and the political system in Bolivia as a whole (*Petras & Weltmeyer, 2005: 186-187*). By the end of the 1990s, as part of its worldwide strategy of promoting public service privatization, the World Bank managed the multinational takeover of Cochabamba’s water system (that led to the famous water war of Cochabamba in 2000). In February of 2003, when the IMF exerted considerable pressure on president at the time, Sánchez de Lozada, and his weak coalition government to institute personal income taxes, clashes between police and the military broke out that left 29 dead, and seriously undermined the government’s legitimacy. In combination with events later that same year, when the international financial institutions supported a proposal to export Bolivia’s natural gas through Chile, again leading to a cycle of protests and 67 deaths, de Lozada was forced to leave office. The following president, Carlos Mesa, received the same kind of pressure from international financial institutions, demanding respect for hydrocarbons contracts that favored corporate rather than public interest and a rapid move to export gas despite the crisis it had previously caused (*Kohl & Farthing, 2009: 60*). These events led to mass discontent and the increasing influence of popular movements, like the

MAS party, which eventually won the elections and took presidency in the 2005 elections. The results of these elections could partly be explained by the fact that social movements had convinced the electorate that neoliberal policies had failed. Already by the end of March in 2006, the Morales government stated that Bolivia had sufficient financial reserves to avoid an immediate additional standby agreement with the IMF. A year later, the Bolivian government announced the country's withdrawal from the World Bank's international arbitrary tribunal and the International Center for the Settlement of Investment Disputes (ICSID), thereby presenting a rebuke of the hegemony of the international financial institutions in Bolivia (*ibid:71*).

4.3 The Law of Popular Participation (LPP)

The process that led to the adoption of the LPP in 1994 and to the implementation of new municipal participatory institutions profoundly changed the nature of those institutions, and also the nature of civil society organizations that were empowered through this process, creating new formal space for political participation with the vision of a more inclusive type of local governance (*Nijenhuis, 2002: 50-51*). The creation of the Law of Popular Participation (LPP) grew out of a long effort to decentralize government and shift resources to historically neglected rural communities. Three main factors influenced greatly in the makings of the LPP. First, the relationship between the regions and the central government had been tense ever since the colonial times. Second, there was a general trend toward decentralization at the time throughout Latin America. Finally, since the 80s, NGOs in Bolivia has assumed increasing responsibility for rural development, and so the authors of the LPP assumed that these NGOs would be key actors in the implementation of the law (*Kohl, 2002: 458*). The LPP included the legal recognition of thousands of peasants and indigenous communities, the recognition of traditional structures of government within these communities, the recognition of their territorial rights and the transfer of funds, 20 percent of the national funds, to the regional development corporations and newly created municipalities (*Kohl, 2003: 156*).

The core characteristics of the LPP consist of four points; *Resource allocation, Responsibility for public services, Oversight Committees and Municipalization*. Resource allocation refers to the funds devolved to municipalities which with the introduction of the LPP double to 20

percent of all national tax revenue. These funds were now also distributed on a per capita basis, instead of on a national, highly political, criterion. By the redistribution of responsibility for public service, ownership of education, health and infrastructure was given to the municipalities. The Oversight Committees were established to provide an alternative channel for popular demand. They were composed of representatives from grassroots groups and also worked as part of a system of checks and balances on the local government, in the sense that they were given the responsibility to propose development projects and to oversee municipal expenditures (*Faguet, 2009: 32*).

With the LPP, local politics were changed immensely. Before the reform, local government was absent in most parts of Bolivia, with a state presence barely noticeable. After the reform however, elected local governments, accountable to local voters, spread throughout the country (*ibid: 33*). The LPP fundamentally changed the direction of much of the popular resistance to the neoliberal programs by allocating sufficient resources to local municipalities to attract the attention of local population while at the same time redefining the spaces for opposition (*Kohl, 2003: 161*).

The introduction of the LPP in 1994 governance in Bolivia is further decentralized at the municipal level, following the idea according to which city-based institutions serve as vehicles to achieve the project of linking civil society to the political system. The decentralized state has the potential to directly promote the participation of social organizations, as it expects people to take an active part in the implementation of welfare reforms and the management of social policies. Participation is thus a central concept in the Bolivian decentralization process. One of the primary goals of the LPP is to strengthen the institutions of representative democracy through the incorporation of participatory mechanisms at the municipal level. Democracy would be deepened from the local level and the state would be made more responsive to local needs in the context of high levels of poverty and underdevelopment. Decentralization in Bolivia further implied the devolution of power from the central state to new administrative entities at the local level. These entities were responsible for the allocation of the resources transferred and the implementation of development processes. Previously excluded rural areas were now given new spaces for the inclusion of the indigenous communities (*Montambeault, 2008: 119*).

4.3.1 The implementation of the LPP

The decentralization reform in Bolivia implemented in 1994 had political, fiscal, and administrative components. Firstly it included the direct election of municipal officials and the creation of new municipalities. Further, substantial funds were transferred from the central government to the local governments. Responsibilities and control over resources at the municipal level were increased while the municipality at the same time was given the responsibility to annually present an operative plan for the local development. In order to enhance the accountability of newly created local government, a censure provision to remove mayors in cases of misconduct was also implemented (*Nijenhuis, 2002: 54*). The decentralization process in Bolivia also incorporated the creation of a complex system to encourage citizens to get involved in local politics. Among other changes, the maybe most significant way in which this was ensured was the political recognition of the grassroots community organizations (*Organización Territorial de Base, OTBs*) (*Reyes-Garcia et al., 2010: 242-243*). This was done with the thought of fostering effective popular participation in the decision-making process. With this reform, already existing territorially based organizations that previously had not been recognized by the state were given an official status. The LPP further created a sort of watchdog committee, *CVs (Comites de Vigilancia)*, who were given the responsibility to channel popular demands. The idea behind the creation of these committees was that they would function as a mechanism that would ensure the local government's accountability by politically linking the government to the local population (*Montambeault, 2008: 119*).

However, decentralized institutions in Bolivia were imposed from above, without much public consultation. In fact, the LPP was not a response to pressures from below, but rather heavily elite-driven. The process leading to the reform was far from participatory, and the changes far from popular. The existing civil society organizations lobbied for decentralization to give more powers to the departments rather than the municipalities, since they feared giving local communities, a privileged access to the state at the expense of these organizations. Sanchez de Lozada, president at the time, gathered young intellectuals to form the *Union de Participación Popular (UPP- Popular Participating Unit)* and re-think the political and administrative organization of the state, excluding the social movements and the civil organization from the process, considered as only representative of urban elites' interests. The LPP thus entailed a contradiction between the means used to by policy-makers

to enforce the municipal reform and the initial democratizing goals of the same (Montambeault, 2008: 121-122).

With the LPP came the creation of 311 new municipalities which, with a reorganization of the national budget, now would receive 20 percent of the state's tax revenues (Montambeault, 2008: 119). These newly created municipalities were required to take an active part in the process of local development, mainly by presenting annually a Municipal Development Plan, *PDMs (Plan de Desarrollo Municipal)*. However, in many areas these plans were in the beginning written by private contractors or by NGOs following government guidelines. There were actually a number of complications that followed with the implementation of popular participation. In at least half of the municipalities the grassroots organizations did not participate in the making of the PDMs, carried out by the municipalities. In many cases the design and implementation of these plans were left entirely to the NGOs. In other cases, traditional party clientelistic politics prevailed, the community was politically divided, or local elites managed to co-opt the new institutional structures (Petras & Weltmeyer, 2005: 211).

4.4 The LPP and the institutional context

The introduction of the LPP in 1994 profoundly changed the institutional landscape in Bolivia, especially in the rural areas (Nijenhuis, 2002: 78). The decentralization meant a reduced role for the state in favor of newly created actors, described here in this chapter. According to previous studies, and the interviews that were conducted for this study, the most important actors in the decentralized political system of Bolivia are; *the Local government, the Grassroots organizations and the NGOs.*

4.4.1 The Local government

As total of 311 new municipalities were created with the implementation of the LPP, which all received increased responsibility and autonomy. In the frame of the new competences of the municipal governments in the local, economic development, they are seen as facilitators, rather than intervening actors. The local government has the responsibility and mandate to

design and implement politics, plans and projects in order to establish a sustainable rural development. In accordance with the Bolivian constitution of 2009 the responsibilities of the municipality further entails; to guarantee food security and food sovereignty, to establish mechanisms and conditions for agrarian production, to promote the commercialization of agricultural produce, to promote a sustainable management of agricultural activity, to create equilibrated relations of economic interchange and finally to establish and facilitate an agro-industrial, productive infrastructure by the improvement of commercial channels and price adjustment (*Bolivian Constitution, 2009: §: 137, 138*). Accordingly, more than 60 percent of public investment execution is under the responsibility of municipal governments and regional authorities—thereby contributing to more effective allocation of public resources, and matching these activities with demand through enhanced participation of civil society in program planning and execution (*PRSP, 2005: §68*).

The creation of new municipalities meant the insertion of rural areas into local politics. This had further effects in the ethnic composition in the new local governments, where the previously marginalized indigenous populations now take an active part in local politics. This also meant the enlargement of electorates and an increased importance of municipal elections, at least from the perspective of the political parties. Being a mayor, a decorative function mainly held by urban *meztisos*, now became an important position and further accessible to politicians from the rural areas (*Nijenhuis, 2002: 79-80*). The municipality has an important role in channeling and coordinating the opinions and expressed needs from the grassroots organizations and the NGOs. Each municipality is supposed to present an annual Development Plan (PDM, *Plan de Desarrollo Municipal*) in line with the transferred funds from the central government. The work of the municipal government was changed as a result of the decentralization reforms, and is now framed in thoughts of municipal collective participation².

4.4.2 Territorial Base Organizations

Bolivian grassroots territorial organizations (OTBs) were, as a result of the implementation of the LPP, officially recognized and introduced into the institutional framework in the Bolivian

² Interview with Omar Tomico, Municipality of Punata

politics. (Nijenhuis, 2002: 81). They were thus given the responsibility to create community development plans, ensuring local oversight of projects and mobilizing community labor for construction and maintenance of public works (Kohl, 2003: 157).

The OTBs, consisting of *farmer* communities, *indigenous* communities and *neighborhood* organizations, are the target group of the LPP. The farmer communities are to a large extent based on the system of syndicates, the socio-economic structure of Bolivian rural society since 1953. The main functions of these communities are organizing communal projects, defending the community's land from other communities, and to represent the community vis-à-vis external institutions, such as the government and NGOs. The representation of indigenous communities through the OTBs is a result of increased awareness of their own capabilities and identities. The decentralization process enhances community development, since the LPP enables the quick integration of these communities as OTBs into the political structure. Finally, neighborhood organizations consist of all the members in a certain neighborhood. Having had practically no contact previously with the farmer communities, these two now had to collaborate in priority-setting and local decision-making (Nijenhuis, 2002: 82-84).

4.4.3 Oversight Committees

Out of concerns that the transfer of financial funds would lead to increased corruption at the local level, the LPP included the creation of oversight committees, CVs (*Comites de Vigilancia*). These committees were given the right to veto municipal budget proposals, both to ensure that the funds would be spent wisely, but also to prevent local elites from capturing the newly acquired resources (Kohl, 2003: 157). The task of the CV is to exercise popular supervision over the conduct of local government. They are further established by means of elections among members of the local OTB (Nijenhuis, 2002: 86).

4.4.4 Non-governmental organizations

NGOs are important institutional actors in the Bolivian, municipal context and have had a substantial part in the development of rural Bolivia for the past 20-30 years, with projects directed at increasing the agricultural productions and strengthening of social organization

(*ibid*: 87). Ever since the return to civilian government in the 1980s, after many years of military regime, NGOs in Bolivia had taken increasing responsibility for rural development in the country. From an estimated number of one hundred in 1980, the NGOs in Bolivia grew to be more than a thousand by the end of the 1990s. This staggering number of NGOs in the country as led to an inability of the government to keep track on all of them, while they have insisted on running their programs independently from the Bolivian government, essentially implementing their own strategies of rural development (*Kohl, 2003: 158*). The maybe most important changes for the NGOs in Bolivia that came with the LPP, was their relation with the Bolivian state, an introduced obligation to collaborate directly with the local government and the loss of financial independence. The LPP cut the thus far enjoyed freedom, but at the same time it provided room to diversify activities, e.g. providing training to OTBs and local governments (*Nijenhuis, 2002: 89*). Many NGOs work in direct relation to the local government, who with an established and direct contact with the farmers through their organizations, can give valuable insight as to where the developmental interventions are needed, thus helping the NGOs to formulate articulated strategies that serves the needs of the rural poor³.

³ *Interview with Jaime Lizarazu, FAM*

5 Bolivia today

5.1 The Morales government 2005-

In the late 1990s and early 2000s, Bolivia reeled from one economic, social and political crisis to another. Coalition governments were weak, facing declines in revenues due to privatization of the state hydrocarbons company, and failed to implement a coherent policy that could address the country's problems (*Kohl & Farthing, 2009: 59*). In 2005 Evo Morales won the elections and assumed office as the first indigenous president in the Bolivian history. This had a tremendous symbolic impact for the great indigenous population of the country (*Kohl, 2010: 107*).

Transnational attention on Bolivia has historically been in direct correlation with foreign interests in its abundant natural resources. The recent short-term boom in commodity prices has shielded the Morales government from having these pressures play a determinant role in deciding its options. The re-nationalization of hydrocarbons in May of 2006 generated extensive support from most Bolivians, and despite complaints from multinational corporations and Northern governments, the Bolivian government did not expropriate any assets. Instead it forced companies to negotiate contracts that required them to turn majority of control over to the Bolivian state and pay increased taxes and royalties. The Morales government has actively sought to minimize the country's dependence on private hydrocarbons companies. Among other things like e.g. establishing direct partnerships with other state-run companies, mainly from Venezuela, Russia and China, the government has instituted a People's Trade Treaty that commits it to public control over foreign investment and public services, protection for national industry, food security, environmental protection, and cooperation as opposed to competition (*ibid: 115-117*).

With the implementation of the decentralization reforms in 1994, the state power was somewhat diminished, diluting administrative and fiscal power to the municipalities. With the

Morales government however, the state has ever since the elections in 2005 sought to regain some of its powers, increasingly taking a bigger part in the national and rural development process. The government has taken on the challenge to solve the problem that came under the political era of neoliberalism, by increasing state authority in the economic decision-making, and by challenging the traditional, political elite and strengthening the nation's poor politically (*Gamarra, 2007: 3*).

In 2008 the central government shut down the permanent program of the Bolivian government for implementing public policies to reduce poverty and increase competitiveness in the agricultural sector, called the SIBTA, and replaced it with a similar institute, called the INIAF, a more central form of administrating rural development. The reason behind the shutdown was that the SIBTA worked under neoliberal pretexts, and that it further worked closely linked to donors giving direct funding to the organization and other NGOs (*Kohl, 2010: 110-111*). With the INIAF, it became illegal for international donors to directly channel their funds to NGOs, which instead had to be channeled through the newly created, centralist institution. However, for this reason, many donors have stopped investing funds into INIAF since it would come under control of the central government completely. The INIAF has thus, due to lack of funds, yet to set its formal strategy. Unfortunately, the shutting down of the SIBTA further meant the rejection of previous work and research with the aim of starting over with a fresh start in the creation of the INIAF⁴.

The current politics of development and poverty alleviation at the national level are to a high degree based on previous events in the Bolivian political history of neoliberal dominance. The primary focus lies in combating the marginalization and structural exclusion of the rural poor, primarily indigenous. In order to accomplish this, the National Development Plan (PND, 2006-2011) clearly state that important changes in modes of production and political organization are necessary, if not indispensable. Two major changes are mentioned in the PND as fundamental; the replacement of the export-oriented and exploitative model of production, and the de-colonization of the neoliberal state. The main point of departure in these politics is that the inequality and rural poverty primarily are products of the colonial, neoliberal model, prevailing up until the election of Morales in 2005. The central argument

⁴ Interview with Willy Soria Arze, FDTA

from the government, articulated in the PND, presupposes that the establishment of capitalism in Bolivia strengthened the national oligarchies and reduced severely the role of the state. In light of this, rural development was hindered, and Bolivia became increasingly dependent on external aid. The inequality and social exclusion was thus deepened, and labeled “poverty”, a concept according to the PND originating from the understanding and perspective of development of the “neoliberal colonialism”. The official view is that neoliberalism saw of human development as exclusively associated with economic growth, detached from the state and its politics, which culminated in the expropriation of the rural population’s right to determine and debate their own future.

The “de-colonized” state will thus control any economic surplus and insert in into the process of human development, and it will further assume the role of producer and distributor of the national wealth as the responsible authority of economic activity. The state further aims to recuperate the functions, lost in the previous neoliberal model. However, in this line of “re-centralization” the importance of popular participation is articulated as absolutely necessary, along with the creation of institutional mechanisms for the participation of communitarian, local and regional entities in the politics and decisions proposed by the central government (ibid: 20-24)⁵.

The expectations of Morales’ political party, MAS (Movimiento al Socialismo) have similarly been big, and still remain so today. With an ambitious agenda to change the relationship between the state and the society while turning economic development in favor of the rural poor, the government has however faced fundamental economic challenges, a trait of every previous Bolivian government, that is, how to shift the country from its extractive economy, primarily benefitting the national oligarchies and societal elites, to a sustainable and equitable development. While part of the problems Bolivia has with lifting itself out of poverty can be explained by this type of economic model, we must also consider a range of social and political processes to understand the limitations to poverty alleviation in the country. Kohl (2010) presents a group of intertwined issues that each explain the problem; pressures from national oligarchies, inadequate state capacity, extended corruption and the influence of transnational actors (Kohl, 2010:108).

⁵ *Plan Nacional de Desarrollo, 2006-2011: 5-15*

5.2 Identifying Bolivian poverty

Bolivia is one of the poorest countries in Latin America in absolute terms. The average poverty rate in Latin America in 1999 was 36 percent, compared to a staggering 63 percent in Bolivia below the country poverty line, and 37 percent in extreme poverty. Even so, the tendency during the last twenty years, since the country embraced democratic rule, has been a slow but steady reduction in poverty levels (the poverty rate in 1976 was 80 percent) (PRSP, 2005). Marginalization in Bolivia is principally a phenomenon hitting the rural, mainly indigenous community in the country. This type of marginalization is typically embedded into the prevailing institutional, social and cultural context, and thus require solutions of a more innovative and sensitive kind, than normal integration politics (Cox, 2001: 33). Women are also a highly affected group on its own, especially in the rural areas, having been partly excluded from the democratic mechanisms of participation instituted with the implementation of the decentralization reforms in 1994 in Bolivia. Poverty in developing countries tends to be gender-biased against women, however there is a lack of gender-specific statistics in Bolivia which makes it difficult to fully grasp the extent of female poverty in the country (Purkayastha, 1999: 61)⁶.

Income poverty and human development in Bolivia is unevenly distributed between regions, and also between urban and rural areas (INE, 2010). Rural municipalities of the high plateau (*altiplano*) show higher levels of extreme poverty, particularly in the regions of Northern Potosí, Chuquisaca and La Paz. 31 percent of the rural poor live in the high plateau, 47 percent in the valleys (e.g. region of Cochabamba) and the remaining 22 percent live in the lowlands of Eastern Bolivia and the Chaco (PRSP, 2005: §74).

⁶ Interview with Dunia Esprella, PROAGRO-GTZ

Table 1: Population and Headcount Index of Poverty and Extreme Poverty by Area of Residence, 1999

| Area | Headcount Index (Percent) | Percentage in Extreme Poverty |
|-------------|---------------------------|-------------------------------|
| National | 62.7 | 36.8 |
| Cities | 47.0 | 21.6 |
| Other urban | 65.8 | 30.9 |
| Rural | 81.7 | 58.8 |

Source: Bolivian PRSP, 2005, table 3.3

N.B.: The poverty Headcount Index assesses the percentage of the population whose income is below the poverty line. Extreme poverty is the percentage of the population whose income is below the cost of a basic food basket.

Estimates indicate that around 62 percent of the total population lives in urban areas while 38 percent lives in rural communities. While all these figures are high in numbers, the table shows that the poverty rate in rural areas is almost double that of the cities (*PRSP, 2005: §104*). Municipal evidence has further highlighted that extreme poverty in the rural areas is of a deeper and more intense nature than in the cities (*O’Hare & Rivas, 2007: 324*)⁷. Rural areas in Bolivia are highly dependent on agriculture as a source of income. Agricultural income on the other hand depends to a large extent on production conditions and the market value of the products. Bolivia has in general a severe problem of low yields and productivity, which can be explained primarily by the insufficient production infrastructure, low quality, limited investments and low productivity levels associated with an unskilled labor force (*PRSP, 2005: §107*).

In spite of land reforms in Bolivia, many indigenous farmers still only possess small land holdings, called *minifundios*⁸. The presence of these small parcels of land represents a division of the traditional community or natural economy (*Ormachea, 2009: 19-21*). There is a quite clear contrast between these small, often impoverished holdings, mostly located in the regions of El Alto, and the lower Valleys around Cochabamba, and the export-oriented,

⁷ Interview with Omar Tomico, Municipality of Punata

⁸ About half of the Bolivian population lives as subsistence farmers in rural areas, providing for around 70 percent of the national food produce (*Kohl, 2003: 155*).

commercial farms in the eastern part of Bolivia (*Southgate, 2007: 261*). Poverty in the rural areas can further be attributed to economic development patterns that have excluded widely-dispersed groups. The small farming economy characterizing most rural areas has weak links with modernization, technological change, and profit distribution. The poorly developed economic infrastructure is a hindrance to rapid change on the part of dispersed populations and makes larger scale investments unprofitable (*PRSP, 2005: §116*). Increasing levels of urbanization also affects the development process in the rural areas, which are drained of their human resources, pushing people deeper into more extreme poverty levels (*O'Hare & Rivas, 2007: 324*)⁹. Urbanization is much higher in the poorer regions of El Alto and Valles, in the *occidente*, with primarily small-scale agricultural activity, whereas notably lower in the better off regions of the *oriente*, where agricultural activity is more characterized by large estates, mainly involved in large-scale production (*Ormachea, 2009: 13-15*).

Within the rural sector there is typically a substantial disparity in ownership of or access to land. Particularly in Latin America, agricultural land has a tendency to be concentrated in a small number of hands. This is also the case of Bolivia where large and powerful land owners traditionally have stood at the apex of the rural class system where they are referred to as the oligarchy. Small scale farmers, although many in numbers usually play a somewhat limited role in politics in developing countries. This role is further limited by their poverty, lack of formal education, dependency on external actors and physical isolation from each other and from the centers of national power (*Handelman, 1996: 106-108*)¹⁰.

5.2.1 The Bolivian agricultural sector and poverty reduction

Development in the agricultural sector can have a major impact on poverty reduction, something which has been amply demonstrated. Agricultural growth reduces consumer prices of non-tradable and semi tradable foods. It may further generate rapid growth of rural employment and self-employment in rural areas (*Binswanger, 1998: 288*). In Bolivia more than 60% of the urban workers work in business and family sectors, while agriculture

⁹ According to the National Institute of Statistics in Bolivia (INE), the urban population is estimated to reach 73% of the total population in 2030, which in other words means that the rural areas of the country will be severely depopulated, by that year only holding a mere 23% of the Bolivian population.

¹⁰ *Interview with Lisbeth Vega, GTZ*

dominates the rural zones, where more than 80% work within the sector. However, the heavy rate of urbanizations has led to a decrease in labor force in the rural areas, where more than 45% are 14 years old or younger, and of the remaining 55%, around 70% are women. This further tends to reduce the possibilities for economic progress in the rural municipalities, as the adequate exploitation of accessible resources becomes harder when the work force is reduced. The migration to the cities has also been noted to increase since the implementation of the decentralization reforms in Bolivia (*FAM, 2006: 14-15*). Many countries have tried to find alternatives to integrated rural development. Most of these initiatives deal with decentralization, administrative and/or fiscal aspects, and greater involvement of stakeholders. This has in some cases been done through the channeling of resources for specific small-scale productive or social projects to beneficiary groups, either directly or through NGOs. This approach has especially been taken in countries where political institutions have been weak, like in the case of Bolivia (*Binswanger, 1998:294*).

Poverty reduction strategies are prominent in the international development agenda and knowledge has further increased about the determinations of poverty. However, Vos & Cabezas argue that we know rather little about the effectiveness of policies to reduce poverty in practice (Vos & Cabezas, 2006: 52). Successful and effective implementation of agricultural and rural development program requires the mobilization of the skills, talents and labor of the rural population. There is a general agreement that this can be done through decentralized political systems, containing mechanisms for effective participation in project decision making, by which the needs of the rural population would be incorporated. The inclusion is important in order to avoid that local elites will appropriate most of the benefits of the rural development programs (*Binswanger, 1998: 297-298*).

5.3 Potential limitations to local governance

5.3.1 Regional divisions

Smith (1996) argues that local democracy can be further hampered by conflict destructive of local democracy, which may be derived from animosities spreading beyond the local area (*Smith, 1996:167*). Bolivia can easily be divided between richer and poorer regions, with the traditional oligarchies and large farms in the peripheral northern and eastern regions, and the poorer, less developed regions in the south and west of the country. The eastern city of Santa Cruz has emerged as the country's most powerful city, assuming the role from La Paz's oligarchy which has traditionally dominated the country since the end of the nineteenth century (*Kohl, 2010:109*).

Santa Cruz, along with the wealthier regions of Bolivia, thrived under neoliberalism and quickly became the fastest-growing part of one of South America's poorest nations. Deeply rooted conflicts with a traditionally centralist state, which stretches back to the nineteenth century, has now resurfaced in the form of demands for greater regional autonomy. This conflict has been increased by the pro-indigenous politics of the Morales administrations, with which the state has regained some of its influence, which in turn has alienated many of the urban Bolivians (*Kohl, 2010:109-110*). In addition to this, the strategy of the actual government is to create a structure for the rural development in the *occidente* by removing funds previously given to the *oriente*, to instead invest those funds in creating major state-run companies¹¹. While much of the opposition the Morales government receives comes from far-right regional elites in the eastern parts of the country, it also faces a moderate conservative opposition, including professionals with a strong tie to market principles, previously incorporated in the neoliberal governments and international financial institutions. With funding from the influential USAID and other donors, they now promote regional development as a mechanism to reduce the importance of the central state (*Kohl & Farthing, 2009: 71*). According to Gamarra (2007), the polarization in Bolivian politics can be explained by the aggressive line of politics of the MAS party (*Gamarra, 2007: 3-4*).

¹¹ Interview with Zenobia Quiruchi, PROAGRO, Jaime Lizarazu, FAM

5.3.2 State capacity

The Morales government came to take power over night, in almost all of the high-level government positions, out of the hands of a minority of wealthy, university-educated politicians of primarily European origin. Described as a government of social movements, the incapacity of the current Bolivian government has been explained partly by the party's grassroots, rather than professional, constituency, and partly of the MAS party's somewhat recent formation, 10 years before assuming office (*Kohl, 2010:112*). With 311 newly created municipalities, capacity for governing also became an important issue at the local level. The lack of capacity at the local level with respect to human resources and infrastructure may constitute a factor hampering the implementation of decentralization projects. Often, functionaries at the local level are not capable of performing the functions that are being transferred, due to a lack of training. A lack of infrastructural capacity especially affects rural, often small municipalities, as they are unable to meet technical requirements (*Nijenhuis, 2002: 25-26*). After the elections in 2005, the core of the MAS leadership changed from the congress to government ministries and policy positions. The result has been that the MAS party's parliamentary delegation has weakened.

The newly elected representatives were further hindered by the long tradition in unions and community organizations of privileging personal over institutional relationships. These paternalistic relationships penetrate all levels of society and all political orientations, making the possibility of running an honest and efficient government a difficult task. The traditional way of relying on charisma to control political forces is still a persisting trait of Bolivian governance. It is often called a Caudillo style, and refers to a given central role to the president, who has to mobilize his charisma to cover up for structural holes in the social-movements coalition. This concentration of decision making in the executive branch reflects the government's general lack of organization and coordination. The Caudillo style also results in a vacuum in the intermediate levels of political administration, although grassroots-level participation is high and decision making at this level generally horizontal (*Kohl, 2010:113*).

5.3.3 Corruption

The MAS government has taken measures to combat corruption, which has improved steadily in recent years on global and regional scales. This does not mean however that corruption is not a problem in Bolivian politics. The strongest corruption is found in the country's weak judiciary, where judge's loyalty typically remains tied to local elites (*Kohl, 2003:115*). The LPP meant an increase in fund transferred to the local governments. Corruption in Bolivia is not only present in large urban areas, and Montambeault (2008) argues in line with this that one could say that rather than reducing corruption, it has been decentralized at the local level through the institutional channels of the municipality. This in turn undermines the potential for strengthening the civil society and for making it more autonomous and able to resist the state subordination while cooperating with state actors (*Montambeault, 2008:123*). Political and economic power relationships resurface in discussions of government decentralization. Since local elites typically capture power in decentralized governments, decentralization often fails to remedy the inequalities within rural regions. As a result, Haggblade (2007) argues, local resources mobilization may prove regressive rather than pro-poor. Similar tensions arise between local governments and authorities at the level of central government (Haggblade, 2007: 50).

5.3.4 Transnational actors

International financial institutions make up the third group with the power to shape Bolivia (*Kohl & Farthing, 2009: 62*). They had great influence during the neoliberal period between 1985 and 2005, but their impact today has seriously diminished thanks to the gas-charged budget surplus. Early in Morales' terms he abandoned a standby agreement with the IMF. Foreign debt is down due to the 2006 relief of 36% of Bolivia's public debt through the World Bank's Multilateral Debt Relief Initiative (*Kohl, 2010: 118*).

6 Analysis: the Bolivian decentralization reform and its impacts

The reasons for implementing politics of decentralization can vary, and over time the objective has changed from economic objectives- such as promoting economic and regional development- to bringing about democracy. The Bolivian decentralization reforms were embraced, particularly at the international level as a model that complied with all the conditions to achieve good governance and local development, both desirable outcomes of decentralization (*Petras & Weltmeyer, 2005: 14-15*). The political-administrative structure of Bolivia has historically been organized in a very top-down manner and at the local level, only the country's three largest cities received funds from the central state (*Nijenhuis, 2002: 164*). The decentralization reforms in Bolivia fall well within the range of policies labeled the new development administration, defined by an accentuation of decentralization, community development, deregulation, privatization, minimal government, popular participation and flexible forms of foreign aid. Limiting the power of the Bolivian government may seem appropriate, given that Bolivian politics at the national level historically has served in firsthand the interests of either national or international elites. Kohl however argues that the processes of decentralization in Bolivia, rather than replacing an oppressive government with an enlightened one, aimed to replace a corporate state that limited private economic activity with a neoliberal one that promotes it (*Kohl, 2002: 454*).

6.1 Local government and popular participation

The indigenous communities in Bolivia had their rights recognized already in the 1952 revolution through extensive land reform and voting rights. However, this recognition of rights took place within a class frame as opposed to an indigenous identity frame. The latter has emerged more recently, and increasingly so with the Morales government, which came into power on a rhetoric of institutional changes and increased participation by the indigenous community (*Eversole, 2010: 79*). The reforms that came with the implementation of the LPP

in 1994 created a more decentralized national political and fiscal system. Indigenous, rural organizations were given a key role in this process. Through the creation of more local structures of governance, by opening more direct channels of communication between the state and rural population and by making it easier for indigenous parties to form, the process of decentralization increased indigenous political participation markedly (*Kohl, 2003: 153-154*). In order to qualify as good governance, local governance must be participatory, transparent and accountable (*Nijenhuis, 2002: 166*). With the LPP came different mechanisms for popular participation at the local level. One way through which this is possible is through municipal elections, in which the rural population was given an increased possibility to influence their government. Participation in municipal elections has further increased since the implementation of the decentralization reforms in 1994 (*ibid*).

However, although free and open elections may be seen as vital for democracy, some authors point out the effects of increasing the importance of local governance. Petras & Weltmeyer (2005) argue that the electoral politics is a trap to demobilize the force of resistance and opposition. This is amply demonstrated by political development in Latin America, and even more so in Bolivia. In their efforts to advance the struggle for political power many social movements seek a strategic or tactical alliance with electoral political parties, as with the MAS in Bolivia. In this alliance social movements evolve and are transformed into a political instrument for the purpose of influencing regime policy within the system. This happens at the expense of the popular movement, whose forces of resistance and opposition are demobilized. Social movements and their members are thus prevented from achieving even their minimum goals (*Petras & Weltmeyer, 2005: 227*). The instability in local government provides for a bottleneck in the implementation of decentralization. The political context in Bolivia is highly politicized, and new mayors and local government often refuse to use the policies set out by their predecessors. With frequent changes of mayors due to a conflictive political environment, and a lack of capacities, the instability leads to the instability of the local governance system as a whole (*Nijenhuis, 2002: 168*). While new municipalities were formed, councilors elected, and budget allocations redistributed from the national to the local level, the municipalities received little or no preparation for the new role they were expected to plan in the allocation and management of development projects (*Eversole, 2010: 79*).

6.1.1 Limitations of the OTBs

The OTBs were given a central role in the implementation of the decentralization process in Bolivia. Given the composition of these groups, participation can be enhanced through them, and in the elections of OTB members for positions in local governments. With the LPP there has generally been a change in the composition of the local government in Bolivia, resulting in an increased number of mayors and councilors with a rural background, as opposed to the generally urban background before the law (*Nijenhuis, 2002: 166*). Participation can also be enhanced through the OTBs taking part in the implementation and planning of projects. This is particularly true when it comes to farmer communities, who increasingly participate in the implementation of agricultural projects, by contributing in kind (*ibid: 166*). However, as is often the case, the introduction of formal democratic institutions does not necessarily guarantee actual democratic practice. Outcome depend on a range of factors, including relative strength of local elites and grassroots organizations, support of the NGOs, the presence of capable leaders, and access to international development funds. In some municipalities in Bolivia, traditional party clientelistic politics still prevail. Local elites co-opt new institutional structures leading to the flourishing of corruption rather than democracy (*Kohl, 2002: 461-463*). According to Smith (1996) sustaining local democracy means more than setting up democratic institutions. The problem of democratic stability lies not in the quality of institutions but in the social and economic context that preserves them from anti-democratic forces (*Smith, 1996, 165*). Bolivia is a country where clientelistic politics are the norm in both public and private sectors. This of course has a significant political and economic impact (*Kohl, 2003: 160*).

One of the intended effects of the LPP was to focus the attention of the social movements and civil societal organizations on the local development run by local government, instead of on the national economic policy (*Petras & Weltmeyer, 2005: 208-210*). In light of this, one could argue that the deepening of democracy to lower levels of governance, and the introduction of democratic mechanisms for increased participation has focused the political mobilization around small clusters of municipal entities, far away from the national strata of decision-making. Political parties at the local level are poorly institutionalized, and local elites move frequently from one party to another, impeding the development of an effective opposition at the municipal level in Bolivia. An effective opposition would otherwise secure the efficiency

of the accountability and transparency mechanisms that are supposed to preclude corruption and rent-seeking practices (*Kohl, 2003: 158*). Corruption in Bolivia is, besides urban areas, also present in the rural municipalities. Montambeault (2008) argues in line with this that rather than reducing corruption, it has been decentralized at the local level through the institutional channels of the municipality. This in turn undermines the potential for strengthening the civil society, to make it more autonomous and able to resist the state subordination while cooperating with state actors (*Montambeault, 2008:123*).

6.1.2 Limitations of the CVs

Through the establishment of the CVs, a powerful mechanism for ensuring accountability and transparency of local government was introduced. These committees consist mainly of representatives from the rural OTBs, which further indicates an increased degree of participation of the rural population. However, due to restrictions imposed by the local government on access to information on budgets and projects, the CVs are severely hindered in their work. Transparency thus becomes a weak element in the Bolivian model, since the CVs have not been able to provide for the information. The population instead depends on other sources such as newspapers and radio broadcasts (*Nijenhuis, 2002: 167*). Montambeault (2008) brings out another institutional problem with the CVs. Many members of these organizations, organized to make sure that the municipal plans, PDMs, reflect the farmers' demands, lack the required education and experience with regulation and governance to be fully effective. In addition to this, most of these members are not paid for the position they occupy in the CV, which means that they are less likely to participate actively in the process, or that they are more prone to engage in corruption and patronage (*Montambeault, 2008:123-124*). With respect to accountability and transparency, the result is somewhat disappointing, when considering that the CVs are not able to fully control local affairs, due to the lack of cooperation of local government (*Nijenhuis, 2002: 169*).

However, although the introduction of democratic mechanisms and formal democratic institutions does not always result in substantive democratic practice, the LPP has managed successfully to increase the participation of the rural population and other underrepresented groups in the planning process at the municipal level (*Southgate, 2007:15*). Even if the law does not live up to all of its expectations it still remains significant for having brought

government resources to large areas of the country for the first time. The LPP has further increased a growing grassroots democratic opposition to the tradition ways of making urban politics, something which can be noticed in the increasing role and importance of elections at the municipal level (*Kohl, 2003: 162*).

In general terms, the decentralization process has led to local governance that is much more participatory with respect to formerly excluded segments of society, and in comparison to the situation before 1994. However, with respect to participation, this impact has not been the same for all formerly excluded groups in the country. The impact of decentralization on the participation of population in local decision-making is highly dependent on the accessibility within the municipalities. The access to information about how to get involved in local politics differs between municipalities, and even across regions in Bolivia. The focus on OTBs further meant the exclusion of other groups, such as producer associations and women's groups (*Nijenhuis, 2002: 168*).

The LPP formally promotes equal access of women and men to position within the GTOs. However, while the recognition of GTOs has increased local influence in local politics, there is a structural bias against women in the law. Women's organizations are not qualified as GTOs and even when they have a territorial basis, they are subordinate to the male-dominated organizations. This fact has resulted in a systematic exclusion of women from equal participation in the LPP. This issue has yet to be resolved but it however worth mentioning that the law *did* broaden the scope of local participation in planning and decision making by officially recognizing the rights of grassroots, as well as indigenous groups, for the first time in Bolivian history (*Kohl, 2003: 157*). Decentralization has generally contributed positively to local governance. Especially when considering participation the situation has benefitted from the reforms, in particular for the rural population who are now much more involved in local politics (*Nijenhuis, 2002: 168*).

6.2 Decentralization and rural development

The concept of poverty in this study refers to the increase of capabilities and opportunities for the rural poor, according to the capability-approach (*Sen, 2001: 88*). To analyze whether

decentralization has been beneficial for poverty alleviation, it thus becomes necessary to look at how these processes led to increased opportunities for local development.

Decentralization in Bolivia has undoubtedly led to increased opportunities for local development in the rural areas, especially when keeping in mind the increased transfer of funds to the municipalities. The increase of financial funds to municipalities around the country, from 10 to 20 percent of the national budget, meant great changes for rural areas. However the effects were not equal as some rural municipalities were worse off given that the LPP required them to take responsibility for the construction and maintenance of infrastructural projects which had previously been under either national or departmental responsibility. Moreover, the decentralization model in Bolivia only distinguishes one criterion for the allocation of funds to the municipalities, according to the 1992 census. Criteria such as poverty, HDI or economic potential are not taken into consideration, which further implies that the Bolivian model offers only a few possibilities for redistribution between resource richer and resource poorer municipalities (*Nijenhuis, 2002: 146*). In light of this it can be argued that the current criteria deepen existing differences, as larger and more prosperous municipalities are able to benefit more through the higher amount of funds being transferred. For a number of municipalities the beneficial effects were however great, from having never received any financial support from federal sources they suddenly had access to a substantially larger budget (*Kohl, 2003: 158*).

These funds, stemming from the central government, are however not the most important source of income for most of the municipalities in Bolivia. Instead, NGOs are to a larger extent providing for funds to finance development projects. The possibilities to acquire own income by e.g. collecting taxes is limited and more concentrated in areas where urban population is higher (*Nijenhuis, 2002: 168-169*). This further implies that municipalities with relatively large presence of NGOs have much more access to funding for projects¹². Southgate (2007) further argues that local development provides micro-solutions to micro-problems, designed as a means of eluding a confrontation with the power structure and substantive social change. This has been the case in Bolivia where much attention has been given to the role of the local NGO to bring about local development (*Southgate, 2007: 8-9*). Local

¹² *Interview with Dunia Esprella, PROAGRO-GTZ*

investments in municipalities mostly go to relatively small projects, leading to a dispersion of funds. From a developmental perspective, it could be argued that it would be more efficient to concentrate investments in larger projects, thus making a larger contribution to local development. However, the participatory planning methodology means that the annual allocation of funds tends to favor all the OTBs in the municipality (*Nijenhuis, 2002: 179*). Local governments have recently started to concentrate funds in fewer and larger projects. There is a fundamental mismatch between the economic expectations of the LPP and its actual resources. In this sense one could talk about the “decentralization of poverty” as the responsibility for lack of infrastructure has been transferred from the central government to the local municipality (*Kohl, 2003: 162*). The municipalization of economic and social development is not only reflected in an enlarged role for the NGOs but also in development at the political level, particularly in the increasing efforts to gain representation and control over municipal councils and prefectures (*Petras & Weltmeyer, 2005: 211*). With the 1994 passage of the Laws of Decentralization and Popular Participation, the government made an effort to redirect counter-hegemonic movements to focus on local governments and ignore national politics (*Kohl & Farthing, 2009: 68*).

The impact of decentralization in generating employment in the municipalities is further limited. The impact has been larger in the construction industry, and also in the local public sector. In relation to the construction industry, there is notable discrepancy between more and less developed municipalities, with different access to qualified construction workers (*Nijenhuis, 2002: 170*). It is commonly assumed that decentralization reduces the size of government, however the decentralization in Bolivia proved to produce opposite effects. The overall size of government has, since the implementation of the LPP, grown substantially as municipalities have hired administrative staff and begun to develop local bureaucracies. Only in the first two years of having put the law into function, thirty thousand new jobs were created (*Nijenhuis, 2002: 168*). However, the restructuring of the Bolivian politics did not lead to economic improvements for most of the Bolivia population. Unemployment increased while government spending decreased. Costs of energy and basic services skyrocketed in the late 90s which lead to widespread civil unrest. Large waves of protests began in 1997 and have increased in frequency ever since (*Kohl, 2002: 456*).

The LPP was primarily expected to meet political and not economic agendas. It was however expected that the transfer of funds from national to local government would subsequently lead

to economic development in Bolivia's rural areas. In general projects have not been able to promote independent economic activity through either cooperative or individual efforts. In the few cases that were successful funds from a range of governments, NGO and bilateral programs were employed, not only those from the municipality (*Kohl, 2003: 160*).

The great majority of the municipal governments entered in function in 1994 with the creation of the LPP and the Law of Administrative Decentralization, however most of the newly created municipalities did not have a system to register their accounts and thus became highly dependent on the central government and continue to be so ever since the implementation of the processes of municipalization. Since 2004-2005 processes of capacitating municipal governments have been implemented, and are still going on today (*FAM Bolivia, 2009:20*). Limited administrative capacity has been, and is still, a phenomenon which reduces the effectiveness of the LPP. This has further had impacts on the way in which international donors focus their work. Key actors in Bolivia such as the World Bank, the UN, the United States, Germany and the Netherlands are now training qualified professional staff to combat this problem (*Kohl, 2003: 159*). Their work is however hampered by the fact that whenever the local government changes, so does the whole administrative staff. This means in other words that the developed qualities do not stay within the administration. This has, according to Diamond, effects on the rural development as a whole, since high levels of socio-economic development are associated with not only the presence but also the stability of democracy (*Diamond, 1992: 108*).

6.3 Decentralization, rural development and the MAS government

During the late 1980s and the 1990s, neoliberal ideas dominated the Bolivian regimes and their political initiatives. The primary policy initiative of this type was the LPP which for the first time introduced a system of democratic local government in a country where municipal elections previously only took place in the larger cities (*Geddes, 2010: 166*). The LPP was implemented in 1994 as a means to stabilize national politics and also under the pretext of deepening democracy by increasing participation in the rural areas and in the local governmental politics. This happened at the expense of state influence in the rural development, which also led to a decrease in the service of social security (*Kohl, 2002: 467*).

As shown in the previous chapters, decentralization led to increased participation and accountability in local government, mainly by introducing new political actors, with closer ties to the rural population, to the institutional framework (Kohl, 2003:154). However, the economic transformation and privatization under a neoliberal lead did not alleviate poverty, neither in absolute nor in relative terms and instead led to a decline in government revenues and a continuing economic crisis (Kohl, 2002: 452). The redistribution of resources according to the neoliberal ideas led to widespread discontent that sparked a number of protest movements, essentially anti-systemic in nature. This in turn led to an ungovernable situation (Nijenhuis, 2002: 44-45).

While the neoliberal regime experimented with local participatory innovations, to enhance its declining legitimacy, it was left to the revolutionary changes of 2003-2005 which eventually overthrew the neoliberal regime to reverse the historical bias of national democratic processes against the majority indigenous community (Guarneros-Meza & Geddes, 2010: 120). This political event was a result of an ongoing campaign of popular resistance to the neoliberal politics the continuing marginalization of the poor. In 2005 a new government was elected, committed to policies opposed and alternative to neoliberalism, including the re-establishment of Bolivian control over natural resource exploitation and a new constitution aimed at cherishing majority (indigenous) political power, thus ending the rule by white/meztizo political elite that had been dominating the political power for centuries (Geddes, 2010: 166). Kohl and Farthing (2009) argue that the main problem of the neoliberal regime was that, even though the new system of local governance substantially increased participatory opportunities, it was not capable of changing fundamentally the material conditions of the majority of the Bolivian population. The resources were very limited and the LPP did not address fundamental issues of land tenure and economic development (Kohl & Farthing, 2009:66). What the Bolivian example demonstrates is, according to Geddes (2010), that in a weak state with limited resources, participatory reforms of the kind that were introduced were not sufficient to deal with extensive socio-economic inequalities, and with very limited capacity in the new local governance institutions, they were relatively marginal to the primary class alignment of neoliberalism. While the LPP offered an extension of political citizenship, this was set in a wider neoliberal policy context in which the dominant model is one of economic citizenship. The political program of the MAS party is more strongly rooted in conceptions of social citizenship in contrast (Geddes, 2010: 169). The victory of Morales and the MAS party in 2005 represented a grassroots-based, bottom-up movement, coordinated

nationally by the MAS. However, the intention of oppositional unity did not manage to eliminate tensions between the party and the social movements. While the current model of Bolivian governance has been referred to as governance from below and an elevation of concentration of power in the president but with broad participation of social movements (*Stefanoni, 2007: 29*), the MAS inherited an institutionally weak state. Together with a failure in the party consolidating itself, it becomes difficult to establishing a decentralized decision making and to institutionalize change by creating lasting government structures. There is further a lack of formal mechanisms for mediating responsibilities between ministries, with many of them overlapping each other's areas of responsibility (*Kohl, 2003:113*). The MAS government is still trying to neutralize the more radical indigenous demands in search for consensus-building with other communities in the country (*Regalsky, 2007: 42*).

As previously explained, the current government is basing a great deal of its politics on an anti-neoliberal agenda, pointing to the flaws of the previous regimes and the initiatives which were taken at the time. This strategy puts the state back in a central role in the planning of the rural development. With the idea of a pluralistic and diverse rural economy the politics of the MAS government in Bolivia in the agricultural sector is based on a discourse emphasizing the need to bring about "changes" in relation to the past. These politics are characterized by the implementation of actions oriented at the strengthening of "food security and sovereignty", prioritizing the participation of the "small-scale producer". This social prioritization is based on the perceived need to end social inequalities in the rural areas in Bolivia. These are means to an end of democratization of the economic benefits that come from agriculture, forests and biodiversity (*Ormachea, 2009: 9*). These tendencies of re-centralizing may pose a threat to local governance as they tend to reduce regional autonomy, undermining local self-governance and thus the institutional prerequisite for local democracy. The nature of the state, including the extent- or absence-of democratic political institutions is a primary factor influencing local governance (*Geddes, 2010: 165*). The dispersal of power territorially has long been regarded as a safeguard against the concentration of power, thereby protecting political liberty (*Smith, 1996:167*).

The influence from the national government has been aided by the decentralized system, in which the MAS party can increase its presence through official OTB lists, which include the party members in the planning. This gives the government increased access to areas which they could not reach before. The LPP has thus come to serve as an instrument of control for

the state, with which hegemonic control can be established (Kohl, 2002: 467-468). This development has led to that the local governance has been highly politicized. Political alignment with the ruling MAS-party has now become almost necessary in order to maintain good relations with the national government. This of course has implications on the rural development, where clientelistic relationships tend to prevail¹³. The state now takes a leading part in the process of rural development, taking a step back in the process of decentralization. The state instead appears through the PAR and the INIAF, relating itself in that way directly with the small-scale producers and the rural communities and sidestepping the local governments. The process today suffers from a lack of realization, due to the tendency of re-centralization. According to a number of informants to this study, this is due to the fact that the national government fears losing ideological influence in the local communities, making the situation extremely politicized¹⁴. One example from the interviews tells of the state distributed two tractors per municipality throughout the country. However, keeping in mind that some municipalities may consist of thousands of families the quantity is hardly enough. While this is being done, private initiatives are being thwarted. In other areas of state intervention the tendency is the same. In the area of irrigation for example the level of investment from the state differs between municipalities. While the national government makes a big commitment politically, many argue that their intentions result in “white elephants”. Interviews with members of OTBs confirms this theory, expressing an increased presence of, and contact with, the state through the PAR and INIAF, at the expense of the contact with the local government¹⁵. The general view from the NGOs is however that the state should take the role of organizing and facilitating rural development, as opposed to actually executing projects. As for now, the governmental politics are perceived as ambiguous, with the government being actively involved in every political sphere¹⁶.

¹³ Interview with Omar Tomico, Municipality of Punata, Maria Vega, SID

¹⁴ Interview with Dunia Esprella, PROAGRO-GTZ, Ramon Ramos, PROAGRO-GTZ, Lisbeth Vega, GTZ

¹⁵ Interview with Don Renato, President of an irrigation OTB, Municipality of Punata

¹⁶ Interview with Zenobia Quiruchi, PROAGRO-GTZ, Tito Jaldin, PROINPA, Jaime Lizarazu, FAM

7 Conclusion

“What have the effects of decentralization been in Bolivia in relation to local governance, rural development and local democracy and how are the conditions for local governance affected by the recent changes in Bolivian politics?”

The aim of this study has been to analyze how the introduction of decentralization reforms in Bolivia has affected local governance and rural development. The analysis of rural development and rural poverty alleviation was based, in line with Sen (2001), on the capability approach, focusing on factors that are intrinsically important to poverty alleviation, in this case political participation. Decentralization is in the study expected to have positive effects on local democracy, good governance and the democratic stability through the contribution of local government and civil society. This idea is further supported by authors such as Montambeault (2008) and Petras & Weltmeyer (2005). This study has additionally focused on political decentralization, focusing on the effects of decentralization on popular participation and the development of local democracy. Scholars argue that in order to understand the patterns of power distribution and interactions between decentralized institutions of governance it is necessary to look further into the relations between state and society (*Montambeault, 2008: 115, Nijenhuis, 2002, Bardhan, 2002*).

The processes that led to the implementation of the decentralization reforms in Bolivia, through the LPP, and to the introduction of new municipal participatory mechanisms changes to a profound extent the nature of the country's political institutions. This was also the case for the Bolivian civil societal organization, which were empowered through this process that created new formal space for political participation with the vision of a more inclusive type of local governance (*Nijenhuis, 2002: 50-51*). However, as has been discussed in this study, the reforms of decentralization were imposed from above, without much public consultation. The process leading to these reforms was, rather than a response from below, heavily elite-driven in nature, far from participatory in its making, and the changes far from popular. This indicates a contradiction between the means used by the authors of these reforms and the initial democratizing goals of the same (*Montambeault, 2008:122*). At the initial stage of the

LPP, the hopes were that the law would strengthen local rural development through strong, local community-based organization, in collaboration with NGOs. However, as has been pointed out, many municipalities lack the presence of strong grassroots organizations and strong NGOs, which in turn has led to that the transformation and beneficial democratic effect of the LPP has yet to be met in some areas (*Kohl, 2003: 161*).

Decentralization led to increased opportunities for rural development in most rural areas in Bolivia, especially when keeping in mind the transfer of funds to the municipalities that before the LPP did not receive any financial support from the government. This has meant a great deal for the process of rural development. However, as has been discussed in this paper, the effects were not equal as the transfer of responsibilities made some municipalities worse off, given that the LPP required them to take responsibility of infrastructural projects, previously under either national or departmental responsibility. Kohl (2003) thus argues that, although the LPP was thought of as a revolutionary change, the law resulted in primarily serving the agendas of international financial institutions, interested in lowering central government expenditures. The implementation of the law mainly amounted to a reform measure, incapable of changing the basic material conditions of life for the majority of the Bolivian population. The LPP has achieved mixed results as an efficiency measure, a development strategy, and a means to increase democratic practices and empower new groups at the local level (*Kohl, 2003: 161*).

In terms of local governance and local democracy, the LPP has brought with it significant changes. The most notable component of the Bolivian decentralization was the institutionalization of popular participation through the OTBs. The LPP put the grassroots organization in closer contact with the local government, through participative mechanisms, public development consultation and increased popular participation in the execution and planning of developmental projects. With the establishment of the CVs, accountability in the local government was meant to be assured. This function has however been hampered by the lack of cooperation from the local government with the CVs in many places. It has further been argued that the deepening of democracy to lower levels of governance, and the introduction of democratic mechanisms for increased participation has focused the political mobilization around small clusters of municipal entities, far away from the national strata of decision-making. Political parties at the local level are poorly institutionalized, and local elites move frequently from one party to another, impeding the development of an effective

opposition at the municipal level in Bolivia. In light of this Sen (2001) argues that while there is a need to acknowledge the importance of democratic institutions, they cannot be viewed as mechanical device for development. The exercise of political rights depends not only on institutional forms, but also on effective practice (*Sen, 2001:158-159*).

The success of the Bolivian experience with decentralization at the municipal level, Montambeault (2008) argues, is mitigated. Even though popular participation has increased in absolute terms, the transparency of decision-making process and the accountability of local governments are unequal across the country. The reform in Bolivia remain incomplete, and its institutional shortcomings affect the relationship between the state and the civil society in two ways; first, they create institutional and political instability at the local government level, allowing political leaders to dominate mechanisms of decision-making and resources, second, they maintain civil society in a weak position vis-à-vis the state, as they have to channel their opinions and discontent through the channel of the municipal government (*Montambeault, 2008:123*).

The process of decentralization in Bolivia did not manage to solve the financial marginalization of most of the country's rural poor, which eventually led to that the MAS party, up until then a social movement, took power with Evo Morales as president (Kaplan 2006:507, McNeish, 2006:225). The fact that the country got its first indigenous president ever had great impacts, both symbolically and politically. The current government runs a heavily rhetoric strategy, emphasizing the need to empower the country's rural, mainly indigenous poor. The MAS party's ideological standpoint is strongly anti-liberal, with an equally strong tendency to re-centralize the process of rural development. Upon taking power the MAS party, formerly a social movement, radical and anti-systemic in its nature, however took the side of constitutional and democratic government, against the revolutionary line of mass mobilization pushed by social movements (*Petras & Weltmeyer, 2005: 201*). The strategy of the government is to regain a strong position for the state in the development process. The political system in Bolivia today is further highly politicized and characterized by a strong logic of interparty relations, meaning that the stronger the ties with the ruling MAS party are, the stronger becomes the political influence (*Salman, 2006: 173*). This has further influenced local democracy in a negative way. Interviews with members of OTBs show that leaders of these OTBs can use the support from the grassroots organizations they are representing, to rise to higher political positions. In this way, the influence from civil

society can lead to the misuse of this influence to achieve personal goals¹⁷. The creation of new municipalities and the increased role of local government, the search for votes in the rural areas increased, as the political parties saw an increased opportunity to control them. This new situation also pushed villagers and farmers into municipal politics (*Faguet, 2009: 38*). Although free and open elections may be seen as vital for democracy, some authors point out the effects of increasing the importance of local governance. Petras & Weltmeyer (2005) argue that the electoral politics is a trap to demobilize the force of resistance and opposition. This is amply demonstrated by political development in Latin America, and even more so in Bolivia. In their efforts to advance the struggle for political power many social movements seek a strategic or tactical alliance with electoral political parties, as with the MAS in Bolivia. In this alliance social movements evolve and are transformed into a political instrument for the purpose of influencing regime policy within the system. Local politics and alternative development can at best provide a micro-solution to the indigenous community in Bolivia and its micro-problems. Local autonomy and alternative development are achieved at the expense of significant social change. It cannot and does not change the structure that allows the dominant groups to appropriate the larger share of society's productive resources. These structures are created and maintained by national macroeconomic policies. The politics of local development does not provide the communities with access to the natural resources, nor the capital, both financial and physical, for them to bring about their own social and economic development (*Petras & Weltmeyer, 2005: 215-216*).

In general terms, the decentralization process has led to local governance that is much more participatory with respect to formerly excluded segments of society and Bolivia has in many ways come a long way toward institutionalizing participation for the rural poor, mainly indigenous people. At the same time, Bolivia serves as a good example to identify some of the difficulties involved in more participatory policies. In the Bolivian context we can see that successful participation on one front does not automatically imply participation in another. While the rural population now stands a better chance of gaining elected positions, this does not mean that they as elected are able to shift the entrenched situations of economic and social disadvantage faced by mainly indigenous communities. Secondly, a political focus on the more "indigenous" institutions may not be the given answer when in the first hand, a large

¹⁷ Interviews with Don Renato, president of an irrigation OTB, Zenobia Quiruchi, PROAGRO-GTZ

proportion of the Bolivia population does not identify as indigenous, and when on the other hand the indigenous communities in Bolivia are highly diverse among themselves (*Eversole, 2010: 80*).

Good development outcomes depend on well-functioning institutions. In Bolivia there is a need to ask exactly who is empowered by institutional reform, and who is not. The poor are no homogenous group, and nor are the indigenous communities. In light of this, institutional changes at macro level need to consider institutional dynamics at the micro level, as reform will have different outcomes depending on the context. Decentralization was well-intentioned at macro level, yet local institutions found themselves struggling. As international agencies (e.g. SIDA, GTZ, UN) are looking into capacity building at a national scale for “good governance”, the question is how can institutional change at the national level be understood and related to at local levels, in diverse contexts?

8 References

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9 Appendices

9.1 Map of Bolivia



9.2 Interviews

9.2.1 NGOs

FDTA-Valles

FDTA-Valles is a private, non-profit institution working in the public interest with technical and administrative autonomy. This foundation was before 2008 the operative branch of the government program SIBTA which in that year was replaced with the INIAF. This organization then began working directly with international donors, like USAID and DANIDA, resulting in little contact with the central government. During the seven years that FDTA-Valles worked within the SIBTA, it continuously maintained a high level of efficiency in fulfilling its objectives. The conclusion of SIBTA has generated concern in the agricultural sector, mostly due to the vacuum created in the country with respect to the generation and transference of agricultural technology. This had in effect led to a more autonomous behavior in regard to the work of the organization. This organization focuses their work on the strengthening of participative methods in the development of the agricultural sector in the area of the Valleys. Its aim is to contribute to the reduction of poverty by increasing incomes resulting from farming activities in Bolivia. This is to be done through increased participation by the rural families in the planning and the execution of agricultural development programs (*FDTA-Valles, 2009*).

SID

Strategies for International Development (SID-Bolivia) seeks primarily to aid the agrarian modes of production and the local economic development with a focus on structures of gender equality. This work is to be done in relation to the national strategies for agrarian development, and levels of rural poverty are to be decreased by an improvement in the management of natural resources. Production is meant to be strengthened and better linked to the internal market. SID-Bolivia has a vision of linking the small organizations of rural producers to the municipal government and small businesses, partly through projects of capacitating politically (*SID-Bolivia, 2010*).

SCC

The Swedish Centre of Cooperation (SCC) has a regional office in Cochabamba, from where they work with capacitating the rural producers, with the aim of them becoming self-sustaining. The SCC works primarily with increasing channels of communication between different civil societal actors, and between these actors and the political representation at municipal and state level. In order to reduce rural poverty SCC considers the strengthening of rural organization an important factor, along with political participation and economic development (SCC, 2007).

PROINPA

The Foundation for Promotion and Investigation of Andean Products (PRONIPA) aims to enhance the quality of agricultural products through research and to strengthen food security in the rural areas of Bolivia. PROINPA works with farmers in the Valleys and El Alto, to reduce levels of poverty and to secure the access to aliments. The Foundation seeks to strengthen technological, commercial and institutional innovation, through a focus on providing for participative mechanisms. The projects launched by this organization are executed in collaboration with grassroots organizations, local governments and NGOs and GOs (*PROINPA, 2010*).

GTZ-PROAGRO

The PROAGRO is a program run in collaboration between the German Organization of Technical Cooperation (GTZ) and Bolivia. This organization works to support a sustainable, agricultural development in Bolivia, through technical support in irrigation and commercialization of agricultural products in the area of the Valleys. PROAGRO works primarily with municipal governments, but also with other NGOs in the areas, in order to distribute the financial responsibility between different actors in order to secure the continuation of the projects, which are primarily financed by GTZ and SIDA (*GTZ-PROAGRO, 2010*).

9.2.2 Others

PAR- Proyecto Alianzas Rurales (*Project of Rural Alliances*), Governmental Institution

FAM- Federación de Asociaciones Municipales de Bolivia (*Federations of Municipal Associations in Bolivia*)

Municipality of Punata- Asociación de regantes (*irrigation OTB*)

Municipality of Punata- Local government administration; Department for rural development

9.2.3 Official documents

Plan Nacional de Desarrollo (2006-2011) (*National Development Plan*) “Bolivia Digna, soberana, productiva y democrática para vivir bien”, La Paz, Bolivia (2007)
Bolivian Constitution (2009) “Autonomía Departamental”, Autonomous Council of Cochabamba, Bolivia

9.2.4 Questionnaire

For the interviews conducted during my fieldwork I used a set of questions. These questions were however subject to alteration, according to the interviewee and his/her position and background. The information drawn from these interviews served as complements to the discussion of the study. I will here present the overarching questions that were used.

- **Agriculture as a tool for pro-poor growth?**

What are the economic impacts of development in agriculture?

Which are the patterns of agricultural development in Bolivia?

- **Agriculture as an arena of competing interests?**

What is the role of the Bolivian state in the development of the agricultural sector?

How does the weak institutional framework of the state affect the rural development?

What are the effects of different subsidies, ex. Irrigation and purchase of produce?

Who are the main actors in the development process of the agricultural sector and how do these actors relate to each other politically?

Between the competing interests, what kind of policies do these main political forces propose to reduce poverty and inequality? What are the principle points of consensus and disagreement?

- **How is local governance and rural/local development affected by the decentralization policies, and what factors explain this impact?**

What are the main characteristics of the Bolivian decentralization process?

How does the process of decentralization result in local governance that is participatory, transparent and accountable and contributes to equity?

To what extent do decentralization policy and governance contribute to increased local development opportunities?

How does the political system affect the fight against poverty? Which reforms are necessary?

- **What are the prospects for a sustainable agriculture in Bolivia?**

Are environmental problems linked to intervention/market failure?

How might an emphasis on food self-sufficiency at the expense of export cropping aggravate hunger problems?

Aside from resources (human, natural, and otherwise), what does development require?

How does the informal sector affect the sustainability of the Bolivian agriculture?

10 Executive Summary

Decentralization has in recent decades become a common concept in public policy making especially in developing countries. Decentralization, defined here as the transfer of functions, responsibilities and financial resources to lower levels of government, is expected to have a positive effect on a country's development process by reducing the inefficiency associated with a centralized form of government, by increasing the accountability in local government and by making local politics more participatory (*Nijenhuis, 2002: 17, Montambeault, 2007:114*). There is no guarantee however that decentralization automatically leads to good governance and local development. Bearing in mind that decentralization does not come in any standardized form, it thus becomes necessary to look deeper into the conditions that lie behind the shaping of the process and the development of a participatory, local governance (*Nijenhuis, 2002: 17-18*).

Bolivia, one of the poorest countries in South America, implemented policies of decentralization in 1994 through the Law on Popular Participation (LPP) with the aim of improving the living standards of the Bolivian population, and especially the country's rural poor (*Nijenhuis, 2002: 52-53*). The implementation of the LPP meant a major pass toward political reformation in order to better represent the interests of the poor, and included mechanism to empower grassroots organizations, such as indigenous groups and urban neighborhood councils, along with local governments.

This is a case study, backed by fieldwork and techniques of interviewing, of the Bolivian experience of decentralization reforms. The aim of the study is to analyze the effect that decentralization had, and still has today, in forming the conditions for poverty reduction, local participation and local governance in Bolivia. The study further investigates how these conditions have been affected by recent political changes in Bolivia.

From 1952 to 1985 the Bolivian government served as the main economic actor of the country. The transition to a market-dominated economy, after a return to democratic rule in 1982, followed a 1985 IMF structural adjustment package, to a large extent designed by

Bolivian technocrats, with strong support from the business sector, especially those with a transnational orientation (*Kohl & Farthing, 2009:65*). The neoliberal model was introduced as a means of activating the national economy. However, the expected economic growth has up until today been virtually absent despite heightened levels of capital formation and economic development effort. The absence of economic growth has further been reflected in widespread conditions of social exclusion and persistent poverty. Policies that were introduced under the neoliberal period in Bolivia (1985-2005) have generally been explained as a hybrid, under the name of “social liberalism”. Focusing on the reduction of the role of the state, they also sought to incorporate participatory mechanisms into politics, targeting the poor and creating the necessary conditions for democratic governance. It was in light of these developments that the politics of decentralization came to be through the creation of the Law of Popular Participation of 1994 (LPP) and the Administrative Decentralization Law of 1995. Further in line with the neoliberal ideas of reducing the role of the state, several strategic state enterprises were also privatized (*Petras & Weltmeyer, 2005: 221-223*) In this way, the neoliberal regime in Bolivia sought to align itself with the pressures for democracy which has been an increasingly powerful global force in the postmodern world (O’Neill, 2004).

The process that led to the adoption of the LPP in 1994 and to the implementation of new municipal participatory institutions profoundly changed the nature of those institutions, and also the nature of civil society organizations that were empowered through this process, creating new formal space for political participation with the vision of a more inclusive type of local governance (*Nijenhuis, 2002: 50-51*). With the LPP, local politics were changed immensely. Before the reform, local government was absent in most parts of Bolivia, with a state presence barely noticeable. After the reform however, elected local governments, accountable to local voters, spread throughout the country (*ibid: 33*). The LPP fundamentally changed the direction of much of the popular resistance to the neoliberal programs by allocating sufficient resources to local municipalities to attract the attention of local population while at the same time redefining the spaces for opposition (*Kohl, 2003: 161*).

The reforms that came with the implementation of the LPP in 1994 created a more decentralized national political and fiscal system. Indigenous, rural organizations were given a key role in this process. Through the creation of more local structures of governance, by opening more direct channels of communication between the state and rural population and by making it easier for indigenous parties to form, the process of decentralization increased

indigenous political participation markedly (*Kohl, 2003: 153-154*). Decentralization in Bolivia has further undoubtedly led to increased opportunities for local development in the rural areas, especially when keeping in mind the increased transfer of funds to the municipalities. The increase of financial funds to municipalities around the country, from 10 to 20 percent of the national budget, meant great changes for rural areas.

However, as has been discussed in this study, the reforms of decentralization were imposed from above, without much public consultation. The process leading to these reforms was, rather than a response from below, heavily elite-driven in nature, far from participatory in its making, and the changes far from popular. Kohl (2003) thus argues that, although the LPP was thought of as a revolutionary change, the law resulted in primarily serving the agendas of international financial institutions, interested in lowering central government expenditures. The implementation of the law mainly amounted to a reform measure, incapable of changing the basic material conditions of life for the majority of the Bolivian population. The LPP has achieved mixed results as an efficiency measure, a development strategy, and a means to increase democratic practices and empower new groups at the local level (*Kohl, 2003: 161*).

The process of decentralization in Bolivia did not manage to solve the financial marginalization of most of the country's rural poor, which eventually led to that the MAS party took power with Evo Morales as president (*Kaplan 2006:507, McNeish, 2006:225*). The current government runs a heavily rhetoric strategy, emphasizing the need to empower the country's rural, mainly indigenous poor. The MAS party's ideological standpoint is strongly anti-liberal, with an equally strong tendency to re-centralize the process of rural development. Upon taking power the MAS party, formerly a social movement, radical and anti-systemic in its nature, however took the side of constitutional and democratic government, against the revolutionary line of mass mobilization pushed by social movements (*Petras & Weltmeyer, 2005: 201*). The political system in Bolivia is today characterized by a strong logic of interparty relations, meaning that the stronger the ties with the ruling MAS party are the stronger becomes the political influence (*Salman, 2006: 173*). This has further influenced local democracy in a negative way, by reducing municipal autonomy in governance.