

# 4 *Bolivia*<sup>1</sup>

## THE POLITICAL CONTEXT OF CAPACITY DEVELOPMENT

This study considers four aspects of technical cooperation and capacity development in Bolivia over the past decade. The first part presents a profile of technical cooperation (TC), describing changes in TC over the past decade with preliminary hypotheses concerning key problems. The second presents two case studies of TC (civil service and education reform) through process and stakeholder analysis of TC and capacity development in both sectors. The third documents innovations in TC and capacity development over the past decade, and suggests a preliminary assessment of successes and failures across sectors. The fourth part of the study concludes with recommendations on how to reform TC in view of the case study evidence.

### Background

This chapter describes Bolivia's economic performance from 1990 to 1999 and the scope of first- and second-generation reform programmes. Bolivia is regarded as a case study in economic orthodoxy in the 1980s, and in institutional heterodoxy in the 1990s. Much of the increase and decline in official development assistance (ODA) and TC can be linked to these two waves of reform. Both the level and characteristics of TC suggest changes in the way the Government, donors and non-governmental actors interacted between the two periods.

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<sup>1</sup> This paper was prepared by George Gray Molina, Director, Masters of Public Policy and Management, and Gonzalo Chávez, Professor of Economics, both at Maestrias para el Desarrollo, at the Universidad Católica Boliviana.

## **Economic Performance**

Bolivia is one of the poorest countries in the Latin America and Caribbean region. Its GDP per capita is around \$1,000 and social indicators are similar to Sub-Saharan African countries. Nearly two-thirds of Bolivians live below the poverty line, with low levels of education, health and nutrition. The average years of schooling for 20-year-olds and up is less than eight; infant mortality stands at 92 per 1,000 live births (0 to 5 years), and 10% of the children under five are malnourished.

Bolivia is landlocked, and its undeveloped road infrastructure constrains access to export markets. After significant macroeconomic stabilization and structural adjustment policies (1980s - 1990s), international reserves and foreign direct investment have increased substantially. And while the burdensome external debt remains high, it has eased, thanks to the Heavily Indebted Poor Country (HIPC) initiative, which Bolivia joined in 1998.

Bolivia is a segmented society, with insufficient investment, weak institutional capacity and entrenched vested interests hampering the private sector. According to the World Bank, Bolivia is also a good example of a country that has achieved successful stabilization and implemented innovative market reforms, yet made only limited progress in the fight against poverty.

Overall, Bolivia experienced moderate but sustained economic growth throughout the 1990s, averaging 4.1% over the decade (0.6% more than the Latin American regional average, see Table 4.2). GDP growth per capita suggests an important demographic constraint slowing economic development and poverty reduction. Despite a decrease in the relative urban poverty rate from 54% in 1989 to 47% in 1999, the absolute number of people living in urban poverty increased by close to 30,000 per year (EBRP 2001). High population growth, averaging 2.4% throughout the decade, also slowed the rate of effective economic growth.

Inflation rates were moderate and dipped into the single digits by 1993. Investment levels increased from 12.6% of GDP in 1990 to 18.9% in 1999. The composition of investment also changed. In 1990, public investment accounted for almost two-thirds of total investment. By 1999, private investment accounted for two-thirds of total investment, led by a significant increase in foreign direct investment (FDI). The total savings rate increased from approximately 15% of GDP in 1990 to 19% in 1999. Private domestic savings accounted for more than half of this rate. The other half is equally split between domestic public savings and foreign savings. By the late 1990s, foreign savings were averaging over seven percent of GDP.

## **Reform Chronology**

Over the past decade, Bolivia was also among the most reform-oriented countries in the region. A comprehensive set of first-generation (structural adjustment) and second-generation (institutional) reforms left few state organizations and institutions unchanged. Structural adjustment, stabilization and liberalization were followed by constitutional

**TABLE 4.1: MAIN HUMAN DEVELOPMENT INDICATORS**

DESCRIPTION	TOTAL	EXPRESSED BY PERIOD	REFERENCE	SOURCE
Population	8,274,325	Inhabitants	Sep. 05, 2001	INE/2001 census
Child mortality rate (0-5 years)	92	Per 1,000 live births	1994 - 1998	INE/ENDSA-98
Illiteracy rate	13.83	Percentage	2000	INE/MECOVI
Men	7.41	Percentage	2000	INE/MECOVI
Women	19.63	Percentage	2000	INE/MECOVI
Average rate of schooling for 20-year-olds and up	7.46	Years	2000	INE/MECOVI
Equivalent unemployment rate	11.49	Percentage	Nov. 2000	INE/MECOVI
Underemployment net rate	18.89	Percentage	Nov. 2000	INE/MECOVI
Human Development Index rank	104		1999	UNDP
Poverty incidence				
Total	61.25	Percentage	2000	INE/MECOVI
Urban	49.54	Percentage	2000	INE/MECOVI
Rural	81.79	Percentage	2000	INE/MECOVI
Poverty gap				
Total	30.94	Percentage	2000	INE/MECOVI
Urban	21.71	Percentage	2000	INE/MECOVI
Rural	47.13	Percentage	2000	INE/MECOVI

Source: Instituto Nacional de Estadística, Encuesta de Mejoramiento de Condiciones de Vida, Encuesta Nacional de Demografía y Salud

reform, then capitalization, decentralization, and education, judicial, civil service and land tenure reform, among others. Both waves of reform were sustained by a fragile system of coalition politics led by the three largest political parties. To the extent that political stability provided room to design and implement ambitious policy reforms, the Bolivian reform programme owes as much to politicians and political parties as to technocrats and economic policy makers.

A political economy approach to the reform programme also draws attention to a key structural feature of the Bolivian policy system: the coexistence of formal and informal institutions that facilitate room to design ambitious policy reforms, but hinder attempts to build sustainable organizational and institutional capacity that is beyond “particularistic” or “clientelistic” political reach. The timeline of reforms can be described in terms of windows for reform, followed by waves of counter-reform.

**1985-1989: Victor Paz Estenssoro and first-generation reforms:** August 1985 is a milestone in Bolivian reform efforts. The then recently-elected Government of former

**TABLE 4.2: ECONOMIC INDICATORS 1990-1999 (%)**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>MACRO</b>										
GDP growth	4.6	5.3	1.6	4.3	4.7	4.7	4.4	5.0	5.5	0.6
GDP growth per capita	2.2	2.8	(0.9)	1.8	2.2	2.3	1.9	2.5	3.1	(1.7)
Inflation	18.0	14.5	10.5	9.3	8.5	12.6	7.9	6.7	4.4	3.1
<b>INVESTMENT</b>										
Public	8.3	8.7	10.0	9.2	9.0	8.2	7.3	7.2	6.3	6.7
Private	4.3	6.9	6.7	7.4	5.4	7.0	9.0	12.4	16.8	12.2
<b>SAVINGS</b>										
Public	3.9	4.4	5.6	3.1	6.0	6.4	5.3	4.2	2.3	2.9
Private	10.7	7.1	3.9	6.3	7.2	4.4	5.9	9.0	12.9	9.3
Foreign	-2.0	4.1	7.3	7.1	1.2	4.5	5.1	6.5	8.0	6.7

Source: *Estrategia Boliviana de Reducción de la Pobreza (2001)*.

President Victor Paz Estenssoro, leader of the Bolivian national revolution, enacted a stiff package of liberal reforms called the *Nueva Política Económica* that was designed to counter hyperinflation and set the basis for structural adjustment. Paz secured legislative support for his Presidency through an alliance with Acción Democrática Nacionalista (ADN). Although the *Pacto por la Democracia* alliance provided Paz with much-needed room to govern, the alliance also set a precedent for patronage-led negotiations between coalition partners throughout the decade. Paz Estenssoro's reform included steep devaluation, liberalization of trade and exchange rate regimes, tax reform and a social emergency programme.

**1989-1993: Jaime Paz Zamora and problems with coalition politics:** The post-crisis administration led by former President Jaime Paz Zamora sustained moderate growth rates and initiated electoral and constitutional reforms that would set the stage for further institutional change. Many of the fiscal and monetary constraints developed during the previous administration provided a backdrop for policy reform during the Paz Zamora administration. Unlike the previous political coalition agreement, the Movimiento de Izquierda Revolucionario (MIR) / ADN *Pacto por la Democracia* agreement signed in 1989 included explicit political quotas for ministries and vice ministries. Rather than entrust ministries along party colors, the agreement distributed ministry-level posts to one party and vice ministry posts to the other, thus consolidating a skewed set of political incentives for public officials throughout the public administration. Much of the Paz Zamora administration was marked by inter-party conflict and ministerial instability.

**1993-1997: Gonzalo Sánchez de Lozada and second-generation reforms:** In 1993, the Movimiento Nacionalista Revolucionario (MNR) won the national elections with a

36% plurality of the vote. A new political agreement between the MNR, Unión Cívica Solidaridad (UCS) and Movimiento Bolivia Libre (MBL) provided ample legislative support for an activist President. Unlike the two previous administrations, the Sanchez de Lozada Presidency followed its electoral plan to completion. The *Plan de Todos*, an electoral pamphlet circulated in the latter part of the electoral campaign, provided a policy blueprint for an ambitious set of reforms. Education, decentralization, popular participation, capitalization, pension, land tenure and judicial reforms paved the way for four years of intense political and institutional change. As with previous administrations, the MNR/UCS/MBL coalition was glued together by patronage. Unlike others, the privatization of public enterprises and the decentralization of public investment initiated by Sanchez de Lozada dismantled the coalition monopoly over patronage. By 1997, with new elections, the central administration could no longer mobilize resources and employment to ensure stability within the coalition, and social stability outside of it.

**1997-2002: Hugo Banzer/Jorge Quiroga and the unraveling of coalition politics:**

The Banzer administration secured a large coalition of small parties dubbed the *Megacoalición*. The politics of keeping an eight-party coalition together with diminishing state resources proved difficult and ushered in a new era of political and social instability that threatened to topple the Banzer Presidency in April and September 2000. In August 2001, Banzer resigned due to ill health, leaving the Presidency to Jorge Quiroga Ramírez. Two policy themes ran through the Banzer/Quiroga administration: coca-leaf eradication and natural gas discoveries. By 2002, Bolivia became the smallest producer of coca-leaf and illicit drugs within the Andean region. The discovery of natural gas in the southern department of Tarija ushered in a new era of natural resource extraction. Proven reserves, estimated at 47 trillion cubic feet, make Bolivia the second-largest producer in the region. The Banzer/Quiroga administration also faced a sustained wave of social discontent and violence.

## Technical Cooperation Profile

### Data Over 10 Years

Bolivia is the second-largest recipient of official development assistance (ODA) in the LAC region. It averaged close to \$80 per capita over the past decade, ranging from \$498 million or 11% of GDP in 1989 to \$569 million, or 6.8 percent of GDP in 1999. Official development assistance peaked in the mid-1990s and dropped gradually to levels seen earlier in the decade.

Technical cooperation, defined to include “activities whose primary purpose is to augment the level of knowledge, skills, technical know-how, or productive aptitudes of the population of developing countries”, increased from \$93 million in 1989 to \$192 million in 1999. Capacity development is understood as the process by which “individuals, organizations, institutions and societies develop abilities (individually and collectively) to perform functions, solve problems and set and achieve objectives.” Technical cooperation flows across the past decade can be broken down into three distinct periods: first-generation reforms (1985-1992), second-generation reforms (1993-1997)

**TABLE 4.3: OFFICIAL DEVELOPMENT ASSISTANCE AND TC FROM 1989-1999 (US\$ MILLIONS)**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
ODA Grants	270.7	310.5	717.8	438.9	365	471.4	544.9	587.1	498.7	418	398.7
ODA Loans	227.6	236.8	-211.9	232.0	199.4	97.4	173.9	244.6	201.6	210.7	170.4
ODA Total	498.3	547.3	505.9	670.9	564.4	568.8	718.8	831.7	700.3	628.7	569.1
TC	93.1	108.3	156.0	174.3	189.7	189.8	217.3	195.1	199.2	185.4	192.6
ODA (G) p/c	41.2	47.2	106.6	63.7	51.7	65.2	73.5	77.4	64.3	52.6	49.0
ODA (L) p/c	34.6	36.0	-31.3	33.7	28.2	13.5	23.4	32.3	25.9	26.5	21.0
ODA (T) p/c	75.8	83.2	75.3	97.4	79.9	78.5	96.9	109.7	90.2	79.1	70.0
TC p/c	14.1	16.5	23.2	25.3	26.8	26.2	29.3	25.7	25.7	23.3	23.7

Source: OECD Development Assistance Cooperation (DAC) dataset.

**TABLE 4.4: HUMAN RESOURCES FOR TECHNICAL COOPERATION (1989-1999)**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Students (#)	213	148	225	388	260	205	91	333	411	216	237
Trainees (#)	175	286	303	251	614	321	236	583	782	82	276
TC personnel (#)	249	553	640	395	694	663	671	705	763	511	686
TC experts (#)	249	369	425	302	484	399	535	407	545	317	498
TC exp p/m	1,081	1,857	2,366	1,967	2,370	1,709	900	2,312	3,344	1,852	2,249

Source: OECD Development Assistance Cooperation (DAC) dataset.

and HIPC-II reform assistance (1997-present). Each period suggests a distinct portrait of ODA flows, TC and capacity development.

The first period is characterized by a significant inflow of balance of payments assistance for structural adjustment and macroeconomic stabilization. Most ODA was geared toward non-capacity development activities. The second period, however, inaugurates a process of intensive institutional reform, backed by high levels of TC. In particular, education, decentralization, popular participation and judicial reform included a significant capacity development component. A preliminary review of the impact of TC during this period, however, suggests a heightened divorce between institutionalized and non-institutionalized capacity development efforts. The mid-1990s are characterized by a sharp increase in the number and influence of non-governmental, international and parastatal consultancies leading reform. The third period was inaugurated by Bolivia's entry into the HIPC-II agreements, which set out a new framework for donor assistance, and within it, a shift from project-centred TC to policy-level dialogue and long-term planning.

Technical cooperation increased significantly during the Sanchez de Lozada reform period. Approximately 1,300 students received scholarships for short- and long-term academic training, and approximately 2,000 trainees received financing for on-the-job training. Technical cooperation peaked during this period, involving 1,800 TC experts totaling over 8,000 person / months in economic, social and institutional reform-oriented consultancies. Technical cooperation largely followed a decentralized pattern of assistance. Line ministries hosted hundreds of TC experts via multilateral and bilateral donor assistance programmes, often prodded by donor agencies themselves. The largest recipients of TC aid were the capitalization and education reforms, which were intensive in expatriate expertise, and linked to a region-wide wave of institutional reforms developing over the decade.

In terms of research and technology, Bolivia has not achieved much success. According to the National Secretary of Investigation, Science and Technology (NSIST), chronic low budgets and human resource scarcity have restricted opportunities for Bolivian researchers, academics and professionals to successfully conduct scientific and technological research. In 2001, NSIST estimated that there was an approximate rate of 100 researchers per million Bolivians, which is far lower than other Latin American countries, and miniscule compared with 8,401 per million in Japan and 5,959 per million in the United States.<sup>2</sup>

In spite of such unpromising figures, a number of interesting projects have been accomplished through international TC over the past decade. In 1990 for instance, the Institute of Hydraulics and Hydrology (IHH) granted doctoral degrees to four professors with the cooperation of the Berlin Technical University. At the moment, IHH enjoys three financial cooperation agreements that deal mainly with river, lake and glacial research studies. Among the most important donor agencies supplying TC to IHH are the International Hydrology Programme of UNESCO, the Institute of Research for Development (IRD) of France, and the Asdi-SAREC of Sweden.<sup>3</sup>

By the same token, many Bolivian universities, especially the state-financed Universidad Mayor de San Andrés (UMSA), have been able to procure a number of TC projects from countries like Cuba, France, Germany and Spain. Health services have been dramatically improved by a continuous flow of Cuban professors and doctors who have come to the country to conduct training sessions, seminars and know-how transfer, all free of charge.

With respect to TC projects that enhance upper-level education performance, it is essential to recognize the graduate-level programmes at the Bolivian Catholic University as one of the country's top academic achievements. Framed as a "Human Resources for Development Project", it was initiated in 1994 with the assistance of USAID-Bolivia and the Harvard Institute for International Development. The project was established to strengthen democracy by enhancing managerial skills and increasing accountability and transparency in both public and private spheres. The present outcome and impact of the project is self-evident. There are more than 480 masters graduates working as development leaders in both private and public organizations.

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<sup>2</sup> Secretaría Nacional de Investigación Ciencia y Tecnología, *Memorias VII Renacit*, Potosí – Bolivia, 2001

<sup>3</sup> Instituto de Hidráulica e Hidrología, <http://www.megalink.com/ihh/>

The programme has also consistently executive programmes, reaching some 2,000 students to date. At the moment, the alumni network includes professionals working in Congress, government ministries, municipalities, superintendencies, embassies, financial institutions, banks, consulting firms, and oil & gas, mining, electricity, and communications companies, among others.

### **Environment for Capacity Development: Institutional Dualism**

An assessment of capacity development can be analyzed at two levels. The first considers capacity development at the programme level itself – capacity development for capitalization, decentralization, civil service and education reform, and so on. A second level, however, involves a more general assessment of statewide opportunities and constraints for capacity development. At this more general level, Bolivia faces a singular challenge in developing institutions that attract, train and promote well-qualified professional and technical staff. Efforts at constructing formal institutional incentives for capacity development are continuously being undermined by powerful informal practices based on patronage and clientelistic networks within public administration.

This brand of “institutional dualism” provides a skewed set of incentives for TC and sustained capacity development. Well-designed programmes from a meritocratic and performance-oriented perspective are often split between formal compliance and informal pressure to “get things done” – including bending the hiring, training and promotion rules along the way. From an institutional perspective, informality acts as a pervasive constraint on capacity development. Informality itself is perhaps best explained as a result of a coalition politics that create space for innovative reform, but lessen the possibility of sustaining reform through non-clientelistic or patronage means.

Since 1985, every administration has faced a similar political predicament: a highly fragmented political system delivers a weak mandate at the electoral polls. Congress is then tasked to form fragile coalitions with multiple political partners. The glue that keeps coalitions together, above and beyond ideological or programmatic affinity, often involves patronage in the form of employment or access to the spoils of public office. The political space created by coalition politics has been a significant determinant of the success of ambitious policy reform. Paradoxically, to the extent that second-generation reforms have succeeded, thus reducing access to patronage through privatization, decentralization or civil service reform, coalition politics have unraveled. The most recent period of political fragmentation observed between 1999 and 2000 suggests an end to a 15-year formula of governance. The executive power is less and less able to mobilize the political resources needed to drive reform.

A key indicator of dual institutionalism in the public sector is the number of non-staff employees working in the central and decentralized government offices. Consultants make up close to 25% of central administration personnel, according to a Ministry of Sustainable Development study (4,200 of 16,500 total staff). In addition, close to 75% of staff were hired for a single administration. High rotation and levels of informality hinder efforts to promote institutional development and sustained capacity

development at the national level. Central government practices are amplified at the departmental and municipal levels, where local political clienteles, NGOs and other key players substitute for a non-existent administrative career path.

### **General Assessment: Success and Failure**

The key TC problems confronted by policy makers and the donor community are summarized below:

- (i) As ODA dropped as a proportion of GDP, absolute levels of TC increased significantly throughout the decade. Increased TC, in turn, has led to a perception of donor over-involvement. The largest multilateral donor (the World Bank) today accounts for more investment than the entire domestic private sector. Donor presence inadvertently conspires against “driver’s seat/ownership” mandates.
- (ii) Increased TC has sharpened a dual institutional structure that cuts across party, clientelistic and regional lines. The formal bureaucracy is undercut by an equally institutionalized informal network of part-time consultants, political appointees, technocrats and NGO staff linked to TC projects. This network is particularly important during agenda formation and policy design. The standing bureaucracy plays a more prominent role during policy implementation. A dual structure skews incentives, generating donor interest in TC early in the policy cycle, and less during implementation.
- (iii) Increased TC has also shifted donor priorities away from short-term project lending toward longer-term programme or policy support. Sustainability and ownership have replaced earlier donor concerns for efficiency and effectiveness. Recent interest in “policy dialogue”, “civil society consultations” and “participatory decision making” has increased donor influence over policy making. Not all TC experiences have been negative. Capacity development in decentralization/popular participation has proven relatively effective, and has incited further interest in long-term knowledge, human resource and capacity development.
- (iv) At times, donor efforts to promote “country ownership” have themselves undermined bureaucratic and political ownership. Multi-donor tables that pool donor efforts under the Bolivian Poverty Reduction Strategy (PRSP) and HIPC II, have adverse effects. They constitute the single most influential lobby over domestic policy makers – each “next big idea” discussed by donors tends to eclipse other initiatives presented by domestic pressure groups, political parties or regional organizations. Donor tables tend to focus attention on issues that are paramount to donor effectiveness: budgeting, reporting and accounting mechanisms, for example. These are not necessarily seen as important for government effectiveness as are decision making, participation and inclusion mechanisms.

## **Brief History of TC in Bolivia**

Before and during the early 1990s, there was essentially no coordination between the Bolivian Government and international TC donors. There was no official or reliable donor record. Large disbursement providers like the World Bank Group, the Inter-American Development Bank, the Corporación Andina de Fomento and the kind, were the only ones with whom the Government used to keep some sort of interaction. The absence of coordination and agenda alignment was absolute. The donor-driven environment stifled TC.

There was also no NGO or bilateral donor record whatsoever. The Government had a heavily centralized political structure, which deprived economic improvement to more remote regions. On top of that, the national decision makers were unfamiliar with regional needs and priorities that may have benefited from TC. Rampant economic crises, political turmoil and social distress made TC a waste of opportunities at best, and corruption at worst. Today both the Government and donors are moving forward to reverse negative past experiences, and to redesign TC in Bolivia.

In the past, many public servants, academics and even international donors perceived the lack of coordination as not being dramatically harmful to the Bolivian economy and its development. The Bolivian situation was considered so critical that any source of cooperation – either technical or financial – was welcome regardless of basic considerations such as priorities, adequacy, methodology, impact and sustainability.

Accordingly, much TC and cash flowed in through many cooperation sources. Unfortunately, the unregulated and uncoordinated system undermined assistance intentions, mainly as a result of unfinished projects, inflated costs, derailed funds, and a lack of follow-up programmes and real means of accountability.

A strong characteristic of TC in the past was the overwhelming participation of foreign consultants. Bolivia received numerous consultants from abroad who usually enjoyed huge compensations for their services. In many cases, these compensations mirrored an irrational distribution of funds both in relation to the status of the Bolivian economy, and to the overall project budget. The budget lines in a 1996 FAO-funded Post Harvesting TC Programme in Santa Cruz illustrates this imbalance (see table 4.5).

Moreover, there were an unknown number of private organizations, NGOs, and foundations running a wide variety of TC projects. Most of the time, there was no record of fund disbursement, performance accountability or follow-up evaluation. International and domestic counterparts held disparate agendas. Considering this TC environment, positive outcomes were understandably rarely seen.

Around the mid-1990s, both the Bolivian Government and donors fully understood the urgent necessity for coordination, and for defining objectives, priorities and agendas. Under these circumstances, the Bolivian Government instituted a new administrative structure of public offices to manage and coordinate TC and financial cooperation more adequately.

**TABLE 4.5: FAO POST HARVESTING TC PROGRAMME**

<b>Project Number</b>	<b>TCP/BOL/6611</b>
Domestic institutions in charge of programme	Secretaría Nacional de Agricultura y Ganadería (SNAG) Centro de Investigación Agrícola Tropical (CIAT)
Time framework	
From	May 1, 1996
To	Dec. 31, 1996
Total	8 months
FAO contribution	\$197,000
Budget breakdown	
Int'l consultant	96,000
National expert	19,000
National consultants	5 consultants x \$400 x 8 months 16,000
Administrative support	8,000
Official trips	10,000
Capacitating	26,000
Equipment and supplies	7,000
Maintenance/Others	15,000
Total	197,000

Source: <http://www.fao.org/Gender/static/tcp/bol66112.htm>

In addition to this new administrative organizational structure, the Bolivian Government convoked National Dialogues (*Dialogo Nacional*) in 1997 and 2000 to debate the country's economic situation and prospects. The Government was experiencing difficulties in restoring confidence in its economy, particularly after the hyperinflation and shortfalls during structural reforms. The country's fundamentally weak institutional capacity and constrained private sector contributed to an average yearly growth rate of 4.2% between 1990-97, which was well below potential.

In response to this alarming situation and after the 1997 National Dialogue, the Government endorsed a National Action Plan (*Plan Operativo de Accion*) based on four pillars:

- Opportunity (growth generation and better distribution)
- Institutional strengthening
- Equity (an improvement in the living standards of the poor)
- Dignity (removal of the country from the drug circuit by the year 2002)

## The 2000 National Dialogue

The 2000 National Dialogue (ND) from June through August 2000 was focused mainly on fighting poverty. It contributed boosting mechanisms for enhancing participative democracy by strengthening the relationship between civil society and the Bolivian national and local governments.

During the ND, a variety of different viewpoints addressed the country's general situation. The ND debated three big topics: society, politics and the economy. Many actors played an active role during the discussion meetings: representatives from national and local government, academia, think tanks, labour unions, indigenous organizations, political parties, NGOs, the private sector and the Catholic Church, among others. Many workshops concluded with solid recommendations on a wide scope of topics.<sup>4</sup>

Community representatives addressed TC as a powerful mechanism for the poverty-fighting crusade. Municipalities concluded that rural development was undoubtedly linked to the quality and quantity of opportunities rendered to the poor. Accordingly, 56% of the municipalities highlighted the need for training and TC. This demand may be related to two issues: the necessity of technical education in order to access the labour markets, and the need for agricultural technology transfers in order to increase productivity. In terms of capacity development in education, municipalities noted the urgent need for better faculty training.

One feature that made ND so special and illustrative was that municipalities determined their own necessities and priorities through their own perspectives, rather than that of the national Government. With rural poverty incidence at an outrageous 81.79% (INE/MECOVI, 2000), it is interesting to note that the majority of municipalities ranked capacity development and TC at second place in terms of priorities, and before other basic, unsatisfied needs. Figure 4.1 shows ND data on rural development priorities according to municipalities.

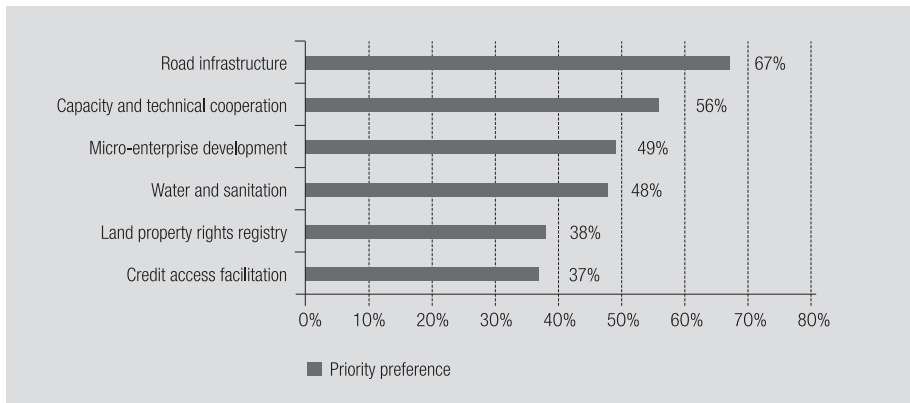
Teams working on the economy highlighted a number of strategic areas that needed special attention. Workshops were comprised of representatives from the production, services and exports sectors, and from the food and manufacturing industries. Most important discussion topics included infrastructure, research, financing, trade, exports, information, investments, tariffs and taxes, nationwide institutional reforms and public policies.

During the workshops, there was a clear recognition of the importance of research, development, innovation and technological assistance. A clear majority of the production, export, and industry representatives called for designing and making TC programmes available at the municipal level.

Participants agreed that next in importance was the strengthening of existing TC, research and technology transfer institutions, and highlighted the need for creating new institutions in accordance with regional necessities. There was also a firm stand on the need for establishing a legal product frameworks for addressing concerns with quality, classification and standardization.

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<sup>4</sup> Public Expenditure Review Workshop Recommendations: (i) Education: Improve teacher quality by modifying the compensation scheme and reducing public resources allocated to higher education; (ii) Health: A need to: (a) analyze salary levels, regional distribution of personnel, service demands, expenditure allocation, and impact evaluation; (b) establish a sustainable financing source consistent with decentralization; and (c) coordinate donor participation; (iii) Water/sanitation: Need to ensure that regulations to water/sanitation law consolidate the regulatory framework. Project sustainability must be improved; (iv) Roads: Need for a master plan estimating maintenance costs/expansion plans; (v) Decentralization: Need to hold a workshop to prioritize donor assistance; and (vi) Resource Mobilization: the PER tax reform recommendations to be implemented as a package.

**FIGURE 4.1: RURAL DEVELOPMENT PRIORITIES ACCORDING TO MUNICIPALITIES**

Source: *Municipal polls, National Dialogue 2000.*

Municipalities expressed their desire for more decentralized management of resources, and as the direct executing entities, demanded administration over the HIPC Initiative. Allocations of such resources were defined under poverty-level criteria, but also under criterion of population, number of municipalities and departments.

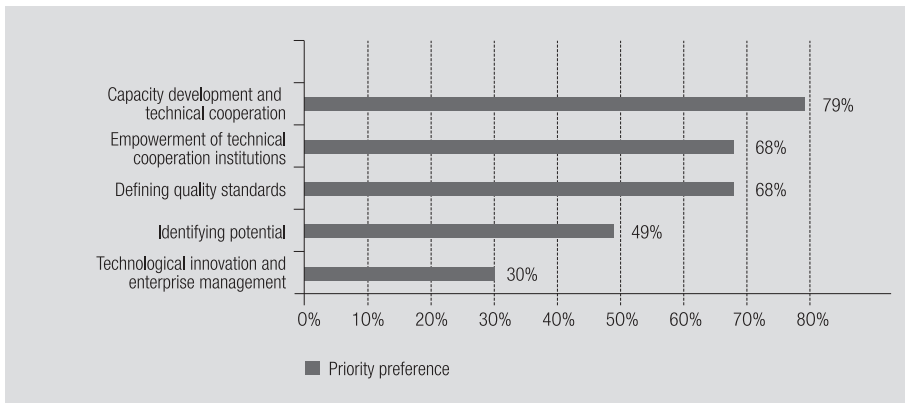
Figure 4.2 shows how principal representatives of the Bolivian economy prioritized their needs for innovation, technology and TC. It is important to note that an overwhelming majority agreed on having unmet capacity development and TC demands.

During the ND, the Vice Ministry of Public Investments and External Financing (VIPFE) performed an active role in chairing meetings and defining means of coordination with donors. It was then that many objectives were defined in order to channel TC in the future. Even after many structural and conceptual improvements, there is still a long way to go towards outstanding TC management in Bolivia.

## What Has Changed?

The three periods of policy reform (structural adjustment, institutional reform and HIPC-II) described above suggest alternative scenarios for evaluating TC and capacity development efforts. What has changed? Three aspects of the donor/government/NGO partnership are reviewed here.

- (i) The nature of donor involvement has changed. Structural adjustment ODA was based primarily on balance of payment support during stabilization, liberalization and devaluation. Technical cooperation revolved around fiscal and monetary reform as well as incipient institutional reform. After 1993, a period of intense institutional reform moved the TC focus to expatriate expertise for policy

**FIGURE 4.2: INNOVATION AND TECHNICAL COOPERATION DEMANDS**

Source: *Economy polls, National Dialogue 2000.*

design and implementation. The mid-1990s witnessed a significant increase in both ODA and TC. A third period began with the signing of HIPC-II agreements. The focus of ODA and TC then shifted toward poverty alleviation. The Comprehensive Development Framework adopted by HIPC countries resulted in a new set of rules for government and donor relations. The National Dialogues and Jubilee meetings held in 2000 resulted in a new framework for government/civil society relations. The new frameworks are incipient and suggest closer alignment over policy focus, but introduce a new source of conditionality that more closely resembles the structural adjustment period than the late 1990s.

- (ii) The focus on human resources, organizations and institutions has changed. While most of the last decade's reform initiatives revolved around policy design, this decade's emphasis is on implementation, with a particular focus on strategic management, policy ownership and social dialogue. The Bolivian Government has adopted much of the language of public sector reform, i.e., "institutional development", "ownership" and "sustainability". Renewed talk of hiring practices, personnel management and career ladders follows a decade of administrative re-design. Much of this occurs under the broad umbrella of anti-corruption and transparency campaigns, rather than management concerns. While it is clearly too early to assess whether the "organizational turn" sticks, public sector reform, human resource management and capacity development are clearly on the agenda.
- (iii) The political economy of reform has changed. For over 15 years, coalition politics provided space for reform. A key lubricant was state patronage, employment and access to state-owned enterprises. Since 1999, coalition politics has lost its shine.

A strong wave of anti-party sentiment, coupled with a shrinking pool of patronage possibilities has fractured the ruling coalition and pushed the majority coalition into a minority in congress. From a political economy of “coalition-led” policy reform, Bolivia has crossed to “social movement-led” policy response.

## **Government TC Management, Coordination Efforts**

In 1998, the Government initiated dynamic coordination efforts with donors. That year, a positive alignment of ideas between Bolivia and the World Bank originated the new relationship framework, *Nuevo Marco de Relacionamiento Gobierno – Cooperacion Internacional hacia el Siglo XXI*, which settled the basis for the dialogue and coordination means used today.

This new framework sets the basis for improving the efficiency and efficacy of the relationship between the Government and international donors. It identifies common problems, fixes core relationship principles and defines actions to carry out the required improvements.

### **(i) Common problems**

- Scarcity of highly-qualified human resources
- Low availability of domestic counterpart funds
- Donor-driven persistence
- Centralized decision making process
- Lack of information
- Lack of coordination between NGOs and the private sector
- Different programming cycles
- Non-systematic application of legal frameworks regarding goods and services acquisition
- Weak institutional structures at national and local levels

### **(ii) Core principles**

- Compatibility with government development goals
- Bolivian definition of objectives and programme “ownership”
- Efficacy
- Accountability
- Sustainability
- Institutional strengthening
- Cooperative policy
- Transparency

### **(iii) Actions**

- Definition of the strategic framework
- Definition of priorities
- Definition of programmes
- Outcome-based programming
- Supervision, monitoring and evaluation

- Promotion of enhanced decentralization
- Reprogramming and reassignment of funds
- Elaboration of multi-year budgets
- Joint financing fundraising
- Goods and services acquisition

In accordance with this new approach on TC management, the Bolivian Government has initiated a gradual but steady process to improve TC administration. To begin with, the Government has reassigned TC management within the Executive Power. Under this new structure, the Ministry of Economy, through the VIPFE, replaces the Ministry of Planning with regard to all TC and financial aid matters.

In order to improve the benefits from TC, the Bolivian Government has taken a number of actions. Among others, it has recognized the need for programme and donor coordination, in-house organization, and definition of priorities and objectives by municipalities.

- Programme and donor coordination

The Ministry of Finance has shaped a new way of TC coordination. First, it eliminated endless, year-round meetings with the entire cast of donors. The education reform programme, for example, convened eight to 10 mission meetings a year, overwhelming ministry staff with logistical work. At a certain point, the ministry was much busier attending to administrative matters than working on education reform.

Now, government policy consists in opening information channels and transmitting national and regional priorities to all donors. In spite of this well-intentioned management policy, many donors dislike the lack of personalized attention. For many TC providers, the “ownership” component and the imprint of their personal stamp are essential. Claiming sponsorship and gaining visibility for TC projects seem to be quite valuable politically among the vast majority of international donors.

In terms of the existing relationship among donors, the VIPFE has acknowledged that bilateral donors have historically felt resentful towards multilateral donors. Bilateral donors reportedly have the impression that the Government pays greater attention to the World Bank and the Inter-American Development Bank, for example. To minimize this tension, the Government now focuses on working with all donors, no matter the size of their contributions, on jointly defining programmes and projects based on the real necessities in the country.

A heavily-funded World Bank and Inter-American Development Bank TC programme on decentralization now underway illustrates this policy change. Every elaboration and follow-up process has been carried out by committees comprised of both large and small donors. By the same token, small and

large donors join workshops within the Consulting Group in order to align agendas and reach common conclusions.

One of the most important goals is simply to share the same information with all donors, to let them know of the necessities and priorities that are being identified, agreed to, and framed as grounds for policy and strategy making. Information flow is thus being noticeably improved. The purpose is to promote proactive definition of national and local needs rather than reactive accommodation to donor agendas. This effort is strongly intended to enhance decision making abilities within the national Government and municipalities.

Today, one-to-one negotiations with donors are still held, but only for specific matters of fund amount definition. New room for dialogue has been promoted in order to attempt comprehensive coordination between donor and Bolivian agendas. Unlike past practices, there are now joint project evaluation missions. For instance, in education and health reform, follow-up evaluation missions bring together representatives from the Inter-American Development Bank, the World Bank, the Netherlands, Denmark, Sweden and Bolivia. Meetings are held twice a year, and important joint decisions are made from conclusions and recommendations.

- In-house organization

Technical cooperation comes to Bolivia in many forms, according to the programmes, projects, objectives and even particular development perspectives of donors. This usually makes it difficult to completely separate TC from financial assistance. Moreover, there are unusual cases where both definitions seem to be reversed by daily practice. For instance, a current Inter-American Development Bank credit line to the Ministry of Sustainable Development is provided as reimbursable TC.

A clear-cut distinction between financial aid and TC has proven to be unrealistic. Countries like Bolivia that receive these two cooperation components benefit most if they functionally link them. Best practices generally come from implementing TC in a way that supports the completion of programmes and projects funded by financial aid.

Because both TC and financial aid are usually designated to a single project or programme, the Ministry of Finance has come to realize that having a separate office for each was a waste of resources. The staffs from the financial aid and TC offices have now been merged into one national office within the VIPFE. For many, the key element in this changing process is the different magnitude of funds between the two. Although financial assistance is by far greater than TC, the Government is jointly managing them under an assimilated system for operational and administrative reasons.

It appears that the very concept of TC has significantly changed throughout the last decade. Ten years ago TC was conceived more as a sort of “ideas laboratory” that contributed to structural reform as a whole. Now that the Government, through the VIPFE, has changed that TC macro vision into a more project-focused concept, the general TC scheme is directed towards regional needs. In other words, the call for TC development is at the municipal level.

- Definition of priorities and objectives

The National Dialogue defined itself as a clear turning point in recognizing the need to give municipalities the role of defining and executing TC projects and programmes. Municipalities are now considered the responsible executing agents for defining objectives and priorities, and for managing their own TC projects. The need for strengthening municipalities to accomplish such goals is also clear.

In spite of the Government’s efforts, TC does not yet fully respond to objectives set by national or local representatives. Donors still play an important role in setting TC objectives and priorities while the Government struggles to match different agendas by establishing countrywide programmes. At the moment, the most important government policy pillar is poverty reduction. Technical cooperation programmes are intended to accommodate that vision. Unfortunately, fighting poverty remains an “over-inclusive” idea when decision makers need to define actions.

Zoomed-in programmes are still difficult to frame. There are too many contradictory demands from local governments and community representatives. At the same time, it is not uncommon to field offers for TC that support low priority objectives. Coordination discussions with donors may sometimes be difficult. Japan is among the few examples where coordination efforts have paid back satisfactorily. For the last three to four years, a number of assistance areas have been clearly set, and TC programmes have worked accordingly.

However, the real problem in channeling and executing TC is not simply a matter of coordination with donors. The problem goes much further, and deals with a lack of a clear definition of objectives and priorities by the potential local beneficiaries. Few sectors have well-planned and comprehensive programmes. The education reform is one of them, and its “definition” process has taken a number of years to prepare. Other sectors remain weak in terms of programme organization and defining objectives, and many sectors simply accept what donors are willing to provide in terms of TC projects. Local governments, both rural and urban, need to learn how to structure their objectives, priorities and policy actions.

For the last few years, TC has focused on institutional strengthening at both national and local levels. Technical cooperation objectives are much more strongly elaborated and defined at the national level than the municipal, and

the Vice Ministry of Popular Participation is working hard to identify the best mechanisms for strengthening institutions in municipalities. The absence of defined policy actions has pushed many donors to work with a variety of different municipalities.

Many projects were only partially concluded, and problems in distributing TC benefits equitably among municipalities have also been evident. At the municipal level, multilateral and bilateral donors manage various schemes for institutional strengthening while the municipalities themselves – especially small ones in rural areas – seem to be struggling with the long-term process of developing basic institutional structures.

At present, the Ministry of Finance, through the VIPFE, is concentrating on legitimately defining the TC objectives of municipalities. One important goal is to diminish donor discretion in defining and executing TC projects and programmes. The VIPFE thus centralizes all TC, collecting demands from departmental and municipal governments, evaluating requests, filing petitions and negotiating with donors. The ultimate target is to complete institutional strengthening and make the decentralization process more viable.

In sum, many achievements have been accomplished from 1998 up to this moment, but there is a long way to go in terms of strengthening municipalities. The Bolivian Government is betting on TC as the best choice for that endeavor. The problem now is to allocate resources and explore the most efficient way to reach each of the 314 municipalities. These municipalities have special characteristics that make them remarkably different from one another. Differences in poverty and education levels, tradition, idiom and social structure are just a few examples of the characteristics that make them so distinct.

## **Technical Cooperation Cases**

The civil service and education reform initiatives below illustrate different experiences with TC and capacity development over the past decade. The study team conducted process and stakeholder analyses for each sector, and discuss hypotheses to explain successes and failures. The team found that both reform initiatives are hampered by micro (institutional) and macro (political) constraints that skew incentives for capacity development toward patronage, clientelism and dual arenas of political and bureaucratic development. We identify a number of first-order institutional constraints for each sector and trace the roots of most institutional problems to second-order, and longer-term, political determinants of dual institutional development.

### **Civil Service**

#### **i. Process analysis**

Civil service reform in Bolivia developed along four distinct phases. The first phase, toward the end of the structural adjustment and stabilization period (1989-1992), followed a “key posts” approach, aimed at building a civil service programme for 700

senior posts across the state administration. This limited attempt, led by joint government and donor efforts, was launched under the expectation that structural adjustment required the “professionalization” of key macroeconomic and technocratic positions held by consultants linked to political appointees in the ministries of finance and planning, and at the Central Bank. The key posts approach floundered both because of an unsustainable institutional design financed almost exclusively by multilateral donors, as well as because of deeper constraints in converting political technocrats into civil service employees.

A second phase began in 1992 under the Administrative Reform Programme (ARP), which unlike the key posts programme, aimed at expanding the civil service throughout the entire central government administration system. The objectives of the programme were to (i) reduce the size of the public workforce, (ii) install a hierarchical and competitive scale, (iii) design and adopt a meritocratic system of human resource management to eliminate political influence over hiring, paying, promoting and dismissing public employees, and (iv) instill a public culture of transparency and accountability for results. Despite these objectives, the Government by 1993 had begun to question the viability of extending the civil service programme to the entire central government administration.

A third phase started in 1993 with the Civil Service and Administrative Reform (CSAR) project. It was considerably less ambitious than the previous approach, but included a projected expansion to 2,566 posts. The CSAR project promoted a “critical mass” approach to civil service reform. Offices and line ministries would institutionalize critical masses of civil servants at different hierarchical levels to provide continuity and provide a career ladder for trained bureaucrats. The objectives of the programme included creating a critical mass in 11 ministries and 3 decentralized agencies, strengthening political support for the implementation of the civil service, and developing selected agencies’ institutional capacity. The results of the CSAR were disappointing. The targets for reaching “critical masses” were not achieved in any agency except the Ministry of Justice. By 1997, only 248 posts out of a projected 729 had been filled.

A fourth period was launched during the Banzer administration (1998-2001) under the National Integrity Plan (PNI), focusing on a new legal framework for the civil service (*Ley de Organización del Poder Ejecutivo, Estatuto del Funcionario Público*), the creation of the position of Superintendent for Civil Service, and an ambitious institutional re-engineering programme (*Programa de Reforma Institucional*). The Government’s key objectives were to initiate a re-engineering of public agencies, reduce the size of the public sector and improve salaries to attract and retain a new cadre of public managers.

The most recent effort at civil service reform incorporates approximately 2,500 recruits in mid-level central government administration. Table 4.6 shows the current structure of personnel at central and departmental offices. Approximately 12,000 mid-level positions make up the heart of public administration today. Directive positions occupy 14% of central administration, mid-level technical staff make up 42%, and support staff 44%. This structure is largely replicated at the departmental level. Payroll

currently accounts for close to 1.3 percent of GDP. The Civil Service Programme is largely funded by donor credit. Table 4.7 shows a 10-year projection of cost and staff replacement. The projection aims to substitute existing long-term staff and consultants for civil service personnel. By 2008, 2,566 civil service posts will replace 631 consultants and 2,379 current long-term staff.

Table 4.8 shows the financing strategy pursued by the Bolivian Government for its fourth attempt at civil service reform. A sliding scale of donor commitments phases out credit by years eight, nine and 10, to be substituted by Treasury support averaging close to half a percentage of GDP by year 10. Political and fiscal support is deemed critical by donors for civil service reform, but is consistently downplayed by government officials as a key constraint. Political will, organizational complexity and labour instability are cited as more pressing constraints to effective implementation. The future of civil service reform is likely to depend on both sets of constraints, particularly on the recognition of first-order and second-order causes of informality and dual institutionalism.

The World Bank is undoubtedly one of the most important donors promoting civil service reform in Bolivia. In 1998, it promoted a 10-year public sector modernization programme that was initiated with a Bank-funded institutional reform project in March 1999.<sup>5</sup> In this regard, the World Bank's intention is to support the Government's programme to improve the effectiveness, efficiency and transparency of the public sector, with the ultimate aim of strengthening the country's ability to implement its economic and social development programmes.

The World Bank project is being carried out under the new Adaptable Programme Loan (APL) instrument, whose benefits include longer-term project financing and flexibility in project design and implementation. Under the APL, subsequent projects expanding the reform programme to other national or local public offices are triggered by the achievement of benchmark indicators set by the first project. In these success cases, no additional approval by the Bank's Board of Directors is needed.

In order to achieve the Government's goals, the World Bank provides TC in training, goods and equipment, and incremental recurrent costs. The project aims at improving government-wide management systems, implemented in different public offices in a phased manner. The components of the project include both "horizontal" systemic and "vertical" organizational reforms as illustrated in tables 4.9 and 4.10.

These horizontal reforms are scheduled for implementation in six pilot agencies selected by the Bolivian Government (tentatively the Ministry of Finance, the Internal Revenue Service, the Customs Service, the Ministry of Health, the Ministry of Justice and the National Statistics Institute) during phase 1 of the programme (2002).

The overall cost of the project is estimated at \$50 million (including contingencies), and the financing plan includes an International Development Association credit of \$40 million. It is interesting to note that after receiving initial help focused on organizational restructuring from the World Bank, the Government has taken strong ownership of this particular project.

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<sup>5</sup> The World Bank Group, Project: Bolivia - Institutional Reform, ID Number BOPE62790, Board date March, 1999

**TABLE 4.6: GOVERNMENT PERSONNEL: PRE-REFORM (US\$ THOUSANDS)**

	No Posts	Percent	Average Salary	Annual Cost
<b>Central Administration</b>	<b>9,365</b>	<b>100%</b>		<b>47,585</b>
-Directive	1,320	14%	10.08	13,310
-Technical	3,943	42%	5.56	21,917
-Support	4,102	44%	3.01	12,359
<b>Prefects</b>	<b>3,594</b>	<b>100%</b>		<b>17,859</b>
-Directive	246	7%	13.55	3,326
-Technical	1,663	46%	6.08	10,113
-Support	1,685	47%	2.62	4,419
<b>Total</b>	<b>12,959</b>			<b>65,444</b>
<b>Other Personnel Expenses</b>				<b>11,847</b>
<b>Total Treasury Expenses</b>				<b>77,291</b>
<b>% GDP</b>				<b>1.27%</b>

Source: National Budget 1998.

**TABLE 4.7: CIVIL SERVICE COSTS (US\$ THOUSANDS)**

Years	Future CS Posts	CS Costs	Current System Posts	Current System Costs	Consultants	Consultant Costs	Total Annual Costs
1	187	3,610	2,379	6,902	631	12,400	22,912
2	457	6,609	2,089	5,856	550	10,711	23,176
3	729	11,395	1,799	5,460	423	8,221	25,076
4	1,003	16,274	1,509	4,816	297	5,754	26,844
5	1,279	20,643	1,225	4,199	169	3,247	28,089
6	1,556	25,076	945	3,578	46	887	29,541
7	1,830	29,133	670	2,731	0	0	31,864
8	2,078	32,782	405	1,810	0	0	34,592
9	2,322	36,252	140	906	0	0	37,158
10	2,566	39,698	0	0	0	0	39,698

Source: Civil Service Programme, 1998; SNAP.

The World Bank noted two issues that urgently need to be addressed in order to avoid another failure of public service reform. First, the practice of financing of political parties by deducting a percentage of public officials' salaries should be abolished. Without addressing strong, underlying political forces, it doesn't seem feasible to implement any merit system of promotion, hiring and firing. Second, even though

**TABLE 4.8: FINANCING STRATEGY (US\$ THOUSANDS)**

Years	Annual Costs	Donor Financing	%	Government Financing	%	% GDP
1	22,912	10,469	46%	12,443	54%	0.214
2	23,176	10,197	44%	12,979	56%	0.214
3	25,076	9,780	39%	15,296	61%	0.241
4	26,844	9,127	34%	17,717	66%	0.267
5	28,089	8,146	29%	19,943	71%	0.288
6	29,541	7,090	24%	22,451	76%	0.310
7	31,864	6,054	19%	25,810	81%	0.342
8	34,592	4,843	14%	29,749	86%	0.376
9	37,158	3,344	9%	33,814	91%	0.409
10	39,698	1,985	5%	37,713	95%	0.436
Increase	73%	-81%		203%		0.315
Cumulative	298,950	71,035		227,915		

Source: *Civil Service Programme, 1998: SNAP.*

Bolivian public officials are generally poorly paid, there is also evidence of a serious overstaffing problem, which in turn is a consequence of a strong patronage culture among public servants.

#### ii. Stakeholder analysis

We identify four micro (institutional) and macro (political) constraints to TC/capacity development within the civil service reform programme.

- (i) A lack of political and fiscal backing from the executive power has induced an exclusive dependence on donor funds and a vicious cycle of donor involvement/government disengagement/reform. Four attempts at civil service reform in 10 years have not broken this cycle. Until early this year, the organization in charge of implementing the CSAR programme had not received any budget allocation from the Treasury.
- (ii) A second institutional factor blocking effective TC within civil service concerns the administrative scope of the project. By centering attention exclusively on the central government administration, civil service reform initiatives have overlooked the fact that most public investment and service delivery is today done at the prefectural and municipal levels. A large group of latent stakeholders are systematically excluded from the reform process. Future reform success is likely to depend on the mobilization of these stakeholders.

**TABLE 4.9: HORIZONTAL SYSTEMIC REFORM**

Component	Goals and Cooperation	TC Outputs
Civil service reform	Creation of a new merit-based, performance-oriented civil service system. Technical cooperation, consisting primarily of assistance in drafting legislation, regulations, and civil service procedure manuals, as well as institution building activities.	<ul style="list-style-type: none"> <li>• a new Civil Service Law and regulatory framework</li> <li>• establishment of a civil service directorate to serve as the principal institution for modern, government-wide human resource management. Its responsibilities would focus on establishing and adapting the regulations relating to the Civil Service Law, supporting the human resource units in line ministries, and overseeing the integrity of the government-wide human resources system</li> <li>• creating up-to-date terms of references and job classification capabilities, establishment registers, and personnel data files</li> <li>• establishing adequate salary schedules and pay adjustment schemes</li> <li>• improving training programmes, career development and personnel evaluation processes</li> </ul>
National integrity	Establishment of a broad-based anti-corruption programme in collaboration with civil society. Technical cooperation through training, some goods, and institution building activities.	<ul style="list-style-type: none"> <li>• new legal framework for government ethics</li> <li>• design of an asset declaration programme for public officials</li> <li>• strengthening of institutions involved in the investigation of corruption, including the Office of the Public Defender, the Public Ministry and the Office of the Comptroller General</li> <li>• simplification of bureaucratic procedures</li> <li>• reform of public procurement processes</li> <li>• public education campaign</li> </ul>
Performance evaluation	Creation of legal and institutional framework for a national evaluation system with the aim of facilitating creation of results-oriented agencies, including: the design of a national evaluation system including budgeting by results (procedures, responsibilities, incentive structure, etc.) aimed at establishing, monitoring, and facilitating the improvement in performance by public organizations and personnel	

Source: <http://www-wds.worldbank.org/>

(iii) Third, behind institutional factors lie deeper political constraints that shape the way institutional reforms play out. First, civil service reform is particularly vulnerable to political pressures that are derived from a tradition of patronage and clientelism within the executive power. The stability and governability often attributed to the Bolivian reform period is directly linked to this political reality. Governing coalitions are glued together by redistributive pacts over public employment and public contracts. Privatization, capitalization, decentralization and popular participation have exacerbated this problem by reducing the availability of patronage to a minimum.

**TABLE 4.10: VERTICAL ORGANIZATIONAL REFORM**

Component	Goals and Cooperation	TC Outputs
Organizational restructuring	Integrated restructuring and reform of six pilot agencies. Technical cooperation, including training, some goods, and institution strengthening activities	<ul style="list-style-type: none"> <li>• structure and functional diagnostics of pilot agencies</li> <li>• Organizational Restructuring Agreements (ORA), designed with the full participation of the agency, to be reviewed and approved by the policy level National Integrity Commission (CNI), chaired by the Vice President of the Republic</li> <li>• implementation of the ORAs with the aim of adjusting the agency's structure and function to permit it to execute a well-defined, service-oriented mission. Particular emphasis will be placed on implanting new human resources systems in line with the Civil Service component, implanting new decentralized financial management systems in line with Bolivia's ongoing integrated financial management programme, budget reform to support medium-term budget planning and budgeting by results, reengineering core business processes, and creating personnel and programme evaluation processes within the agency in line with the performance evaluation component. Under separate contracts, private firm(s) are expected to assist the government in selecting professional and managerial staff for the pilot agencies. Existing staff who choose to reapply to the agency and external candidates would be hired on a competitive basis using competency tests, background checks, and personal interviews. A major element in the programme is that the Bank, in parallel with the civil service programme financed by bilateral donors, plans to fund (on a declining basis over four years) the salaries of professional and managerial-level civil servants hired into the restructuring agencies. The government wishes to expand the pilot civil service programme to cover all professional and managerial staff in the central government, and to implement the new system on a phased basis in organizations undergoing an integrated restructuring process. This would direct new staff to reforming agencies to better ensure creation of results-oriented organizations that would be sustainable and replicable. The government is simultaneously seeking to maintain bilateral donor funding for key civil service positions outside of the pilot ministries during the interim period before these agencies are restructured and higher salaries are assured.</li> </ul>

Source: <http://www-wds.worldbank.org/>

- (iv) Fourth, donors are also influenced by the political rules that lie behind policy reform in Bolivia. Elite pacts between donors and the Government tend to reinforce the political pacts made between coalition partners by excluding political opposition, thus stifling reform and making benign neglect more likely. In the case of civil service reform, opposition parties constitute a natural countervailing power to patronage-led distribution of public employment. These latent stakeholders, however, are rarely included in policy discussions over the future of the civil service programme. Paradoxically, donor interest in remaining “apolitical” plays into the hands of entrenched political interests.

## Education Reform

### i. Process analysis

The Bolivian Education Reform, launched in 1996, is one of the most politically and institutionally complex among the package of reforms launched in the 1980s and 1990s. The reform has followed three phases of gradual implementation. The first phase (1992-1996) focused on policy design and consensus building. The second and current phase focuses on the implementation of curricular, organizational and teacher training programmes at the primary school level (1996-2002). The third phase aims to extend these efforts to secondary school (2002-2010).

Expenditures on primary and secondary schooling account for an average 3.9 per cent of GDP and approximately 16% of the total national budget since 1996. As of this year, 2,200,000 students attend primary and secondary schools in the country and approximately 1,200,000 are under the education reform programme. Over 90,000 teachers and 9,000 administrative staff are covered under the reform. Since 1995, the education reform has accounted for \$142 million in capital and recurrent expenditures, \$100 million of which is financed by multilateral and bilateral donors.

The TC component of the education reform is significant and is the largest of all reform programmes. Since 1995, approximately \$32 million was allocated to teacher training and \$1.7 million to administrative training linked to the reform. In addition, \$12 million was allocated to institutional strengthening and \$4.7 million to curricular development programmes for primary education. The logistics of TC under the education reform are highly decentralized and managed by departmental and municipal educational authorities. Over 10,000 schools, organized into 2,000 “nucleos escolares” in 314 municipalities and 9 departments, provide a decentralized architecture for TC and capacity development.

The education reform includes a wide variety of TC throughout the whole programme. It comprises approximately 150 activities / consultancies, including:<sup>6</sup>

- training and orientation for community organizations and parents
- establishment of an education management information system
- incorporation of community participation in administration
- development of a core curriculum for grades 1 through 8
- development, production and distribution of textbooks, materials, computers and teachers’ guides
- development of an education assessment programme
- programme support and monitoring

The education reform sets out four objectives: to transform public management of educational services; to improve teacher training in accordance with the basic tenets of bilingual and intercultural curricula; to transform the curriculum and structure of primary and secondary education; and to promote community participation in educational

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<sup>6</sup> Inter-American Development Bank, Education Reform Programme (931/SF-BO; ATN/SF-4718-BO), Approved November 16, 1994

decision making, control and evaluation. While the initial adoption of reform was met with widespread teacher resistance, gradual implementation has created arenas for government/union negotiation over the content and pace of reform. Teachers' unions are today full – though partially unwilling – stakeholders in the reform process.

Table 4.11 shows the education reform budget for 1995-2001. Three aspects are worth highlighting. First, the education reform is the most important state reform in terms of both donor and government outlays. Over \$142 million was disbursed between 1995 and 2001. Second, donor outlays equal approximately \$95 million, or 67% of the total. The largest donors are the World Bank and the Inter-American Development Bank. Third, government commitments have been growing over the last three years. During the first three years, the reform was overwhelmingly financed by multilateral and bilateral donors.

Table 4.12 shows figures for the education reform's teacher training programme. The programme accounts for almost \$33 million, or almost a quarter of the total reform budget. As with the general budget, multilateral donors account for most of the financing. The Bolivian Government has steadily increased its participation since 1998. The teacher training programme reaches over half of current teachers and almost 80% of all primary level teachers. It includes training on learning-centred education strategies and bilingual and intercultural education.

## ii. Stakeholder analysis

We identify micro (institutional) and macro (political) factors to help explain the impact of TC and capacity development within the education reform programme.

- (i) First, from a micro (institutional) perspective, we find that education reform TC and capacity development (teacher and administrative training) is a highly complex institutional operation involving over 20,000 teachers across the country. This is magnified by the high turnover rates and inter-regional mobility observed among urban and rural teachers. Capacity development involves a continuous process of learning and classroom adaptation of new curricula, teaching methods and bilingual learning content.
- (ii) Second, despite the scope of teacher training and capacity development, the implementation of TC is highly decentralized in the Bolivian experience. This provides more room for local appropriation and modification of TC to suit local needs and experiences. Dozens of regional universities, NGOs and training institutes are involved in capacity development under central government monitoring and quality control.
- (iii) Third, from a macro (political) perspective, education reform has encountered visible political opposition from teacher unions across the country. Political concessions made by the Government on payroll issues have attenuated opposition, but yearly negotiations between the Government and unions continue to be marked by stand-offs, strikes and prolonged negotiations. The

**TABLE 4.11: EDUCATION REFORM BUDGET 1995-2001 (US\$)**

Year	GOV	GOV COUNTER	OTHER GOV	DONORS	TOTAL
1995	0	0	0	14,858,244.37	14,858,244.37
1996	0	3,548,343.05	3,120,835.49	11,736,802.23	18,405,980.77
1997	0	5,071,673.00	1,874,669.42	7,523,927.95	14,470,270.37
1998	0	543,084.72	0	12,717,415.33	13,260,500.05
1999	3,631,036.34	779,607.04	0	18,995,540.97	23,406,184.35
2000	10,278,460.36	285,194.15	0	23,058,532.89	33,622,187.40
Oct 2001	13,113,023.67	141.12	0	11,542,926.03	24,656,090.15
<b>TOTAL</b>	<b>32,483,239.54</b>	<b>10,228,043.08</b>	<b>4,995,504.91</b>	<b>94,972,671.93</b>	<b>142,679,459.46</b>

Source: Contaduría General de la República

**TABLE 4.12: TEACHER TRAINING BUDGET (US\$)**

YEAR	GOV-Treas	GOV-EdRef	GOV COUNTER	OTHER GOV	DONORS	TOTAL
1995	0	0	0	0	220,238	220,238
1996	0	0	199,500	62,610	3,753,387	4,015,497
1997	0	0	161,597	244,516	506,987	913,100
1998	0	0	18,829	0	3,486,126	3,504,955
1999	463,890	0	139,150	0	1,359,694	1,962,734
2000	12,477,344	160,514	481,541	0	8,980,131	22,099,530
<b>Total</b>	<b>12,941,234</b>	<b>160,514</b>	<b>1,000,617</b>	<b>307,127</b>	<b>18,306,563</b>	<b>32,716,055</b>

Source: Contaduría General de la República

politics of teacher participation plays a key constraint over continued capacity development in the education sector. Union politics are not monolithic either, as both Government and opposition parties are represented at the central teachers' union.

- (iv) Fourth, donor involvement in teacher training provides an effective means of balancing the political tug-of-war between unions and Government. The threat of losing donor funds has been repeatedly used to force a compromise during salary and working condition negotiations. At times, the presence of donor commitments such as those by the World Bank and IDB has also worked against capacity development, as unions denounced external conditionality over the scope and course of reform efforts. Teachers' unions continue to be among the best-organized and most radical union groups in Bolivia.

## **Technical Cooperation Agreements in Progress**

Technical cooperation projects currently being executed are so diverse that they range from health and education reform to indigenous and census projects. Even though TC levels have dropped markedly during the past decade, there is no doubt about its impact at both national and local levels. At the moment, 22 donors are supporting TC agreements in a wide variety of projects and programmes.

For the most part, the Government applies “size-based” project management. For instance, there are many small TC projects that may simply involve one highly qualified person working at a Bolivian institution for one or two years. Likewise, every now and then there are more integrated TC projects comprising a whole working team. It is also not uncommon to find small infrastructure components supporting large TC projects. The Japanese have many of the kind, and promote that sort of knowledge transfer in many fields.

Many donors provide a variety of workshops, seminars, training programmes, and scholarships. The Organization of American States, the United Kingdom, Spain, Japan, Belgium, Germany, other European countries, and the United States provide the most important scholarships and training programmes. In the past, the Ministry of Planning administered most scholarships channeled through the Government. Unfortunately, the Ministry was known to divert well-intentioned TC projects by means of patronage and clientelism. Today, such responsibility is granted to the National Personnel Administration Service, which has proven to provide better and more systematic management.

Other recent, positive changes deal with a better allocation of consultants. A large majority of donors are increasingly hiring Bolivian rather than foreign consultants. The United Nations agencies and UNDP in particular were the first ones to initiate such practices. It is needless to state the importance of promoting Bolivian professionals not only in terms of fund allocation, but also in terms of creating job opportunities that may fit more accurately the particular needs of the country.

## **Innovations in TC**

During the 1980s and the first part of the 1990s, Bolivia was perceived as a “model reformer”. Ambitious policy reforms aimed at setting the framework for sustained growth and increased democratic development attracted the attention of donors and academics alike. By the end of the decade, however, policy analysts agreed that the Bolivian experience had led to disenchantment both with the processes and benefits of reform. Donors and the Government turned to implementation and management issues linked to institutional change. An increased awareness of the political and institutional fragility of many reform initiatives led to an explicit focus on issues of sustainability, ownership and accountability. The new scenario also suggests innovations in the way donors, the Government and the development industry confront the challenge of making reforms, particularly TC, “stick”.

### **From Short- to Long-Term Planning (Sustainability)**

The relatively fragmented and piecemeal approach to institutional reform adopted in Bolivia – particularly with respect to the education, popular participation / decentralization, and judicial reforms – tended to induce a multiplication of similarly fragmented and piecemeal TC and capacity development initiatives for each reform. A fixation on the short-term accomplishment of reform-specific targets betrayed a bias against longer-term, comprehensive and systemic TC planning. The Bolivian entry into the HIPC agreement in 1998 marked a turning point in donor and government relations. A key requirement of HIPC funding hinged around long-term (15-year) policy planning and continuous consensus building. The Bolivian National Dialogues of 1998 and 2000 provided a kick-off point for the World Bank's own Comprehensive Development Framework, and set the groundwork for a significant shift from short- to long-term policy planning.

Among the positive consequences of this shift are increased discussion of the need for comprehensive and long-term TC and capacity development plans. This means the inclusion of long-term policy issues (including Bolivia's strategic gas interests, international trade competitiveness, and the aftermath of coca-leaf eradication) on the government agenda, and an increased acknowledgement of the critical role of good public management, particularly a stable, meritocratic and well-qualified civil service.

### **From Conditionality to HIPC-II (Ownership)**

The move from structural adjustment and stabilization policies to institutional and poverty reduction reforms was also accompanied by a shift from strict conditionality measures to relatively flexible conditionality between the Government and donors. "Ownership" refers, in this context, to a milder form of accountability, as donors attach dialogue, participation and social control clauses to PRSP and HIPC-II approval. The overall effect of this shift is mixed. On the one hand, governments are asked to take control of the content and pace of reforms. On the other hand, they are also expected to comply with an expanded set of poverty reduction targets, participation quotas and macroeconomic stability conditions.

How much has Bolivia advanced on the road to ownership? The civil service case reviewed in this document would suggest not much. Four donor-led attempts at reform have failed over the past decade, and have illustrated TC and capacity development initiatives at their worst. The education reform case, however, would suggest a different picture. Technical cooperation for teacher training worked through a highly decentralized system of capacity development that was well-attuned to local needs and demands of teachers and unions. As with popular participation and decentralization reform, the politicization of key actors was not necessarily a significant deterrent for effective TC. What mattered most was the effective appropriation and tailoring of capacity development programmes at the local or school level.

**BOX 4.1: The Japanese experience**

Since the beginning of diplomatic relations, the Japanese Government has contributed to Bolivian development in many ways. Loan and grant aid and TC have been channeled to a wide variety of projects, and coordination between both Governments has been smooth and cooperative. A longstanding policy of flexibility has encouraged a vibrant relationship. In this spirit, many loan agreements are constantly rescheduled.

Another active aid provider is the Japan International Cooperation Agency, which manages government-based TC. JICA conducts training programmes in Japan, an expert dispatch programme and provides equipment and material. It also runs Japanese Overseas Cooperation Volunteer programmes, immigration (assistance for immigrants of Japanese descent) and emergency disaster-relief programmes.

Yet TC has been subject to a gradual reduction over the past 10 years. The following table shows Japan's ODA disbursements from 1994 to 1998, and the amounts programmed as of April 2002.<sup>7</sup>

Japanese TC disbursements to Bolivia (US\$ millions):

Year	1994	1995	1996	1997	1998	2002
Amount	28.56	31.21	22.00	20.76	18.99	16.51

Source: *Reforming Technical Cooperation for Capacity Development/UNDP (2002)*, <http://www.mofa.go.jp/policy/oda>

**Changing Roles of Donors, Recipients and Development Industry (Accountability)**

The Bolivian reforms would not have been possible without the active participation of donors and a vibrant development industry. In recent years, the design issues tackled in the early 1990s have been overshadowed by a new concern for implementation, sustainability and long-term development. The focus of donor efforts has also shifted from project to policy concerns, and from short-lived development fads to longer-term development objectives. This does not mean that donors have relinquished control over development policy making, nor that Bolivia has succeeded at institutionalizing a functioning technocracy / bureaucracy. In fact, the dual state structure described in the first chapter of this study shows every sign of having hardened in recent years. The institutional determinants of poor public sector performance are complemented by political determinants of entrenched public sector informality.

**Lessons and Recommendations**

The preliminary evidence gathered in the case studies and buttressed by figures on ODA, TC and capacity development trends would suggest that TC is going through significant changes in Bolivia. Among key lessons emerging from the Bolivian experience:

- (i) First, increased TC has helped to promote capacity development for second-generation reforms in Bolivia. The cases suggest the importance of considering TC as part of a larger problem linked to developing capacities within the formal and informal public sectors. A dual bureaucratic structure, as described in this study, provides a perverse set of institutional incentives for sustainable TC efforts.

<sup>7</sup> Japan's Official Development Assistance (ODA), <http://www.mofa.go.jp/policy/oda/>

- (ii) Second, micro (institutional) and macro (political) determinants of public sector performance help to identify significant constraints to effective capacity development in the Bolivian public sector. An entrenched system of patronage and clientelism driven by coalition politics (the backbone of political stability in the Bolivian context) provides the backdrop for any attempt at institutional re-engineering. Technocratic isolation, political quota-sharing and other political devices have been used with varying degrees of success, but all point to the importance of managing political conflict for effective capacity development.
- (iii) Third, the objectives of TC have also changed throughout the decade. An early focus on TC and capacity development for policy design and agenda setting has been replaced by a new focus on TC for policy implementation. There is an increasing demand, furthermore, for decentralized capacity development at prefectural and municipal levels of government.

**Among preliminary recommendations:**

- (i) First, TC for capacity development must be tailored to overcome significant political and institutional constraints that skew incentives toward patronage, clientelism or other forms of political particularism. The neglect of politics is perhaps the most effective way of sustaining vicious cycles of reform / inertia/counter-reform.
- (ii) Second, at the micro-level, the case studies suggest a significant role for individual leadership/entrepreneurship in pushing for, and overseeing successful capacity development. Learning, knowledge accumulation and diffusion are heightened by highly-motivated and well-qualified public sector leaders.
- (iii) Third, TC needs to be promoted within a larger framework of human capital development in order for political leaders and opinion makers to lobby for capacity development. The perception that TC is “merely bureaucratic” poses a significant constraint to effective political action and public support for this effort.
- (iv) Fourth, TC needs to move from an exclusively central government focus to more decentralized forms of sustained capacity development. As municipalities gain more fiscal and administrative power, the needs of decentralized training and capacity development will undoubtedly grow. Local and regional government already account for over two-thirds of public investment and a significant proportion of social expenditure.