

Working Paper 202

Results-Based Public Management in Bolivia

Carlos Montes
Development Strategies, London

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111 Westminster Bridge Road
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SE1 7JD
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Acronyms

ARIs	Institutional Reform Agreements
CISEE	Inter-Institutional Committee of Monitoring and Evaluation
CNI	National Integrity Committee
ENSA	Demography and Health National Survey
GDP	Gross Domestic Product
HIPC	Heavily-Indebted Poor Countries
IDB	Inter-American Development Bank
IGR	Institutional Governance Review (A World Bank Document)
ILACO	Financial Decentralisation and Accountability Project
IMF	International Monetary Fund
INE	Statistics Unit
IRP	Institutional Reform Project
LOG	Local Oversight Groups
MECOVI	Improvement of the Surveys of Living Conditions project
MIR	Movement of the Revolutionary Left
MNR	National Revolutionary Movement
MoF	Ministry of Finance
NGOs	Non-Governmental Organisations
PER	Public Expenditure Review
POAs	Annual Operating Plans
PRONOGOB	National Governance programme (IDB)
PRSP	Poverty Reduction Strategy Paper
SAFCO	Financial Administration and Control System
SEDES	Health Departmental Services
SEDUCA	Education Departmental Services
SIAF	Integrated Financial Management System
SIE	Education Information System
SIGMA	Integrated Financial Management System
SIMECAL	System for Measuring the Quality of Education
SISER	Monitoring and Evaluation System for Results-based public management
SNAP	National Service of Public Administration
SNC	National Road Service
UDAPE	Policy Analysis Unit, Ministry of Finance
UESC	Implementing Unit of the Civil Service project
USAID	United States Agency for International Development
VMPEPP	Vice-Ministry of Popular Participation
VPEIS	Vice-Ministry of Primary and Secondary Education
WINSIG	Health Management Information System

Executive Summary

1. Institutional Reform and Budget Management

Political and Governance

In Bolivia, key pre-conditions for the success of results-based public management are not present due to the pervasive nature of patronage. The recent Institutional and Governance Review (World Bank) described how political parties ‘captured’ the public administration and distributed rents and public jobs thus facilitating corruption. As a consequence, formal rules are rarely respected.

Public sector reforms need to confront political patronage by ensuring fully functioning central controls and accountability mechanisms. These reforms depend less on ‘technical’ issues than in understanding the logic of the patronage system and supporting political consensus for reforms.

However, reforms that focus on the enforcement of central controls are strongly opposed by the political system as they threaten access to substantial patronage resources. This partly explains donor’s preference to work on ‘technical’ reforms.

Features of the public service

Results-based public expenditure management requires a minimally effective bureaucracy, especially in personnel management, budgeting and financial controls. However, the Bolivian public administration does not fulfil these requirements.

Politicised personnel management.

- Recruitment is informal and not based on merit but on political loyalty. There is a high staff turnover.
- Strong political controls. Threats and other means are used to ensure compliance to political pressures.
- Job evaluations and promotions are politicised.
- Pay scales are informal and non-transparent. Salaries are ad-hoc and tied to individuals. Donor projects have often aggravated these problems.

Weak budgeting

The budget is not binding and it allows reallocations without proper authorisations. The budget structure does not allow the identification of programmes; it often allocates resources to opaque central functions. Budget allocations are based on party political factors and not on technical considerations.

The MoF enforces a cash budget and allocations are often arbitrary. Ministries find legal and extra legal ways to reallocate budget lines, this provides opportunities for corruption, but it is also a way to cope with the unreliability of the budget. The budget aspires to a strict control of line items but only aggregate control is achieved. There is no systematic monitoring of physical and financial execution.

Weak controls

The MoF and the Audit Office do little to ensure compliance with central norms. Some donor projects have focused on supporting an integrated financial management system (SIGMA) but this

has not been accompanied by support to enforcement mechanisms.

Social control

The 1994 Popular Participation Law introduced some social control mechanisms. More recently the National Dialogue Law institutionalised regular consultations with civil society and allocated HIPC resources to municipalities. It also introduced mechanisms for the monitoring of results and social control of HIPC resources at department and national level.

Role of donors

Bolivia receives significant resources from donors. These have made stabilisation easier but have often contributed to the fragmentation of the public sector through the 'project' approach and the setting-up of parallel structures. Few sector-wide programmes have emerged, e.g. even the civil service reform is managed as a 'project'.

Modernisation initiatives

The SAFCO law

of Financial Management and Control (1990) was intended to introduce a results-based public expenditure management system. However, even formal progress was not possible until the year 2001 when the MoF required ministries to introduce the integrated financial management system (SIGMA) - see above.

The previous Civil Service Programme

was introduced in 1992-93. It focused on the incorporation of staff to the 'civil service' from pilots. However, ministries did not 'buy' into the reforms and government did not provide sufficient support. The Banzer-Quiroga administration further weakened the National Service for Personnel Administration and civil service rules.

Sector reforms

Progress has been made at sector level, particularly when political and donor support has been strong, e.g. the education sector reform initiated in 1994. Similarly, a number of regulatory agencies have been given autonomy and this has resulted in improved performance. This model has recently been successfully introduced in Customs.

Large institutional reform project

In 1998-99 the government prepared an anti-corruption plan, the National Integrity Plan. Donors supported the plan with a USD 72 million Institutional Reform Project. It aimed to reduce the patronage in public administration. However, it consisted mostly of 'technical' activities: organisational studies, competitive recruitment, supplementary salaries, etc.

The project management was located outside normal government structures and was staffed by consultants. This contributed to political infighting, fight for resources, poor transparency and a lack of a comprehensive vision of civil service reform, e.g. lack of focus on budget reform and a uniform pay scale. Only a small committee of donors monitored the project.

The quality of the organisational restructuring studies and the competitive recruitment, financed by the project, has been often poor. The use of performance contracts (ARIs) by the IRP also had little

impact (see below).

The Civil Service Superintendency

started work in June 2001. It is beginning to play an important role, developing a strategic vision of civil service reforms and monitoring the quality of recruitment processes.

2. Measuring performance

Use of targets (p. 15)

The government is using the 'language' of performance management. However, this has not been translated into results because most targets are not linked to budgets or personnel management. Budget formulation does not include targets or the ministries' annual operating plans. Moreover, targets are mostly used for perfunctory reasons and have not been cascaded-down. However, progress has been made in the health sector.

Education

The reform programme has strengthened the role of targets and indicators. However, they are formulated with little consultation from outside the ministry. A common set of indicators has been established which is used in joint donor assessments. However, indicators focus on activities rather than results.

Health

Annual operating plans have been refined, the ministry has formulated targets at different levels and indicators for joint donor assessments have been established. This process has been strongly supported by a World Bank project that includes performance contracts with departmental authorities, hospitals and municipalities. The project reports that it has successfully met its demanding performance targets. However, issues remain on the reliability of sector data, the proliferation of performance contracts in a weak institutional context and the effects of 'project competition' with other donors.

PRSP

includes relevant targets and monitoring. However, implementation is difficult due to the lack of a government champion, the weak budget process and monitoring capacity at local level.

The Institutional Reform Project

Its re-organisation studies were often of poor quality and as a result its performance contracts and strategic plans (ARIs and PERIs) became largely legalistic documents that only specified detailed administrative conditions. These contracts did not promote results-orientation, transparency or accountability.

The national evaluation system (SISER)

developed a model to specify and monitor sector targets, formally signed by authorities. However, the selection of targets was ad-hoc, the process was not part of regular government processes and most targets were not made public. Impact has been low.

Cascading of targets (p.22)

Targets are not linked to human resources requirements and ministries do not receive funds in a predictable way. As a result, targets are generally not cascaded down.

Education

donors have supplemented sector salaries, supporting a more rational pay scale, a greater focus on results and ‘cascading’ of targets to senior officials. However, this progress might not be sustainable, as the MoF has not replaced the financing of salaries by donors, as agreed. The sector has recently received financing from the IRP but this appears to have resulted in the loss of trained staff and the re-introduction of pay distortions.

Health

The reform project has supported a better link between targets and resources but the ministry still operates an ad-hoc salary structure. Performance contracts, quality ratings and public perception surveys, appear to be disseminating the targets and a culture of results. However, a more rational salary structure, tackling poor performance at department level and better systems for the verification of results is needed.

IRP

should have ensured that targets are realistic and are cascaded down to all staff. However, as the project left the budget process untouched, introduced often poor organisational and personnel reforms-including recruitment- and a weak evaluation system, this has not been possible. The project has financed supplementary salaries but this has not resulted in a uniform and transparent pay scale. Moreover, there are no incentives for staff to perform well in their jobs or to achieve their agencies’ targets.

3. Performance of results-based management (p. 25)

Institutional factors

A recent World Bank review recommended ways to realistically pursue results-orientation. Unfortunately, the implementation of the large Institutional Reform Project (IRP) mostly ignored these recommendations.

In particular, the IRP:

- Supported ‘parallel’ and unaccountable management structures that did not contribute to the de-politicisation of reforms.
- Did not support effective central oversight capacities for budget, financial controls and personnel management.
- Had no contacts with civil society and did not follow a transparent process.

4. Internal monitoring of results (p.28)

Budget monitoring and management information systems are generally weak. In particular, the Audit Office has found that Internal Audit Units do not have operational manuals, do not comply with government norms and do not provide their staff with job stability. Irregularities and problems were also identified in most ministries. However, monitoring is better in education and health.

Education

reports quarterly on progress. However, quality control of the monitoring system is weak. The information system often provides optimistic results that are inconsistent with the information on education quality provided by SIMECAL.

Health

performance information flows from districts to departmental level to the ministry. The World Bank project recognises the need to strengthen the reliability of data, particularly given the weak monitoring carried out by municipalities. The ministry publishes regularly evaluations of hospital's service standards and surveys of beneficiaries. These processes have introduced transparency and competition.

PRSP

monitoring mechanisms are weak, particularly at district level. Government relies on the Integrated Survey of Households, SIGMA and ad-hoc initiatives to improve monitoring. However, these initiatives might be costly. There are no plans for the use of beneficiary's surveys.

IRP

was not independently monitored as planned. As a result, even on its own assessment -and adjusted targets- it met only 3 of its 6 targets. For example, the project did not develop a methodology to evaluate reforms in pilot agencies. The IRP has not focused on information systems, customers or reliable monitoring. Meanwhile, the evaluation system, SISER, often uses unreliable data.

5. Independent verification of results (p.32)

The Audit Office

has technical capacity but it does not have the authority to enforce its recommendations or support the sanction of irregularities. It needs to develop a greater focus and contacts with civil society.

Parliament

has the powers to request government reports and the presence of Ministers, but these tools are only used for narrow political party goals. The lack of technical capacity also makes it difficult to effectively scrutinize the government or to follow up on Audit Office reports. Scrutiny of mayors and council presidents is also weak.

Social control of public expenditure

has been strengthened through the recent National Dialogue Law. Social control at the local level still relies on Local Oversight Groups, which are often unaccountable. However, the Mechanism of Social Control is supported by the Church, NGO experts and grass roots organisations. The Mechanism will participate in the boards of the Social Funds and the National Institute of Statistics. This Mechanism is still at early stages. However, in order to encourage wide participation, the Mechanism aims to make social control and monitoring as relevant, transparent and useful to the public as possible.

6. Lessons for other countries

1. Results-orientation in a patronage environment requires strong political consensus, it cannot be implemented as a donor 'project'. It requires strong central oversight functions and can only be advanced by understanding the structure of incentives in the political system.
2. Results-based public expenditure management requires minimally effective personnel management and budget systems. Reforms in individual departments are unsustainable without a parallel improvement of budget systems, financial controls and personnel management. Service delivery depends on a chain of agencies at the central and local levels. The Institutional Reform Project failed because it followed a 'project' approach. Budget support with stringent performance targets on budget and financial control reforms should be considered.
3. Results-oriented reforms should be located in the government rather than in 'parallel' structures. The coordination of policies requires that the reform be placed within government structures and with clear accountability lines and transparency.
4. Public sector reform programmes need to be transparent and accountable and use 'citizen voice'. The same applies to monitoring and evaluation institutions, e.g. Audit Office, SISER. Success in de-politicisation requires transparency as well as the participation of political parties, civil society groups and the private sector
5. Donors are more effective in supporting results-based systems when they help to strengthen the 'voice' of civil society than when they replace it. Donors have helped to persuade the government to consult with civil society and to use citizen voice to improve the monitoring of public expenditure.
6. The formal introduction of results-based tools (e.g. targets and performance measurement) is relatively easy. However, reforming agencies need to demonstrate their compliance with a minimum set of internal rules and be subject to a strong oversight from central bodies.
7. Donors need to monitor actual compliance and outcomes rather than formal changes. Focus should be on implementation and actual behaviour. Otherwise, projects to reduce patronage and corruption will fail.
8. The setting of targets should be better integrated with the budget process, personnel management and organisational reforms. Targets should be set in consultation with service providers and users. Targets are usually not 'owned' by government agencies; they are not used in the allocation of budget resources, evaluation of personnel or communicated to the public. Thus, targets have had a low impact. However, in some cases targets have had a greater impact, e.g. health.
9. Some reforms have produced important results, however, greater attention should be given to the accuracy of the reporting systems. The health sector reform project has made significant progress in introducing a results-based framework and has also reported significant progress in its benchmark indicators. However, more attention should be given to ensure the reliability of data information systems. This lesson also applies to the recently introduced evaluation system, SISER.
10. Bolivia is pioneering the use of citizen voice to monitor the execution of public expenditure, particularly for HIPC II resources. This is a key development and requires donor support.

Chapter 1: Introduction

This report on Results-based Public Management in Bolivia is one of seven country studies commissioned by the Centre for Aid and Public Expenditure of the Overseas Development Institute for a research project on the practice of results-oriented budgeting in poor countries. The purpose of the research project is to establish how far performance budgeting and performance management are practised in public expenditure programmes in countries which have prepared Poverty Reduction Strategy Papers, what modalities have been used, what circumstances have favoured its adoption, what its achievements have been in making public programmes more efficient and effective, and what obstacles and limitations have been encountered. Bolivia was selected as a case study country because it has a PRSP, and in recognition of the fact that it has for a number of years practised results-oriented approaches to public expenditure and public administration management. The other countries studied for the project are: Burkina Faso, Cambodia, Ghana, Mali, Tanzania and Uganda. The working papers reporting on the project are listed on page (ii) in the preliminaries.

The present report is based on a mission to Bolivia that took place July 14th-25th, 2002. The mission involved the review of monitoring and evaluation reports, and interviews with Government officials, donors and civil society organisations.

Chapter 2 focuses on the strategic context relevant to the application of results-based public management. Chapter 3 reviews progress in the use of targets and indicators of performance. Chapter 4 identifies the institutional factors that have made it difficult to introduce results-based management in the Bolivian public sector. Chapter 5 provides some lessons offered by the Bolivian recent experience with results-based public management.

Chapter 2: Institutional Reform and Budget Management

In the judgement of a recent review by the World Bank in its institutional development and governance,¹ Bolivia's success in macroeconomic stabilisation has not been accompanied by the modernisation of its public administration. The building blocks for a results-based management are not present due to the pervasive nature of patronage and clientelism in public administration. Recent attempts at reform have neglected the importance of central oversight institutions and capacities: binding budgets, uniform salary structure, enforcement of financial controls, etc. In this context, public administration reform projects are likely to be appropriated by political party interests.

'...when internal procedures and control to ensure accountability are ineffective, pursuit of efficiency and client orientation that has captured the advocates of public sector reform in OECD countries remains an elusive dream.'²

2.1 Political and Governance Context

Bolivia has carried out important economic reforms since 1985 but its central administration has remained unreformed, delivering poor services and making little progress in reducing poverty. Donor support has been substantial. However, there is evidence of a declining trust in government and increased social protest.

Following the Institutional and Governance Review this section draws attention to 3 pertinent political and governance features in Bolivia.

*The 'capture' of public administration by political parties*³

The Institutional Review described how political parties in Bolivia seized control of the public administration and distributed rents and public jobs thus facilitating corruption. This process was aggravated by the inability of the private sector to generate jobs as well as the lack of party identity and differentiated policy programmes.

Patronage has become pervasive because the fragmentation of the party system has often required the negotiation of coalition arrangements in order to attain the presidency.⁴ These negotiations include explicit agreements for sharing state patronage ('cuoteo politico') which result in ministries and vice-ministries being allocated as part of the 'pie' that corresponds to each party (or even a faction within the party). In this way the informality of the entire process is reinforced ('systematic presence of informality in public administration indicates a breakdown of the rule of law within the state')⁵ and the public administration is further fragmented, as coalition parties do not trust each

¹ World Bank, 2000: 'From Patronage to a Professional State: Bolivia Institutional and Governance Review' August 25, 2000. This chapter draws heavily for its content and judgements on this report which can be found at the World Bank Documents and Reports site: <http://www-wds.worldbank.org/> (PDF file, 9.38 MB).

² Ibid. Vol. 1. p. 17..

³ Our country visit took place after the recent elections and during the period of coalition negotiations. The incumbent party received 3.4% of the presidential vote, and an anti-establishment party emerged as the second most voted in the presidential vote (only 1.6% behind). At the end, two traditional parties (MNR and MIR), although normally antagonistic to each other, agreed on a coalition and the sharing of government posts.

⁴ There is little internal democracy within the parties. Ideological issues are not central to most Bolivian political parties.

⁵ IGR, World Bank 2000. Vol. 1. p 42.

other. For a similar analysis see the ‘vicious circle of ungovernability’, described in a recent IDB financed study.⁶

Public sector reforms need to confront political patronage and not only change formal rules

Results-orientation has been frustrated because of the absence of a well-functioning bureaucracy; e.g. clientelistic personnel management and lack of credibility of the budget and financial controls; as well as poor accountability and use of ‘citizen voice.’

This has been so in spite of a modern ‘cutting edge’ law signed in 1990 (SAFCO) that aimed to introduce results-orientation and of an outstanding Institutional and Governance Review (2000). The Review identified how the public administration is ‘captured’ and made dysfunctional by political parties and recommended a strategy for civil service reform. Unfortunately, the SAFCO law was not implemented for many years and the recommendations of the Review were largely ignored.

The Institutional Review recommended focusing strongly on ensuring fully functioning central controls and accountability mechanisms and taking into account the logic of the patron-client political system. The Review showed that results-based reforms depend less on technical issues, capacities or ‘commitment’ than on a political will to reduce the political parties’ dependency on patronage resources and corruption.⁷

‘Formal rules are rarely respected; they are subverted by informal parallel systems that exist throughout the public sector...The traditional means of getting things done (personal connections, clientelism, politics) are alive and well’.⁸

In this context, the reform of formal rules achieves little. Only a strong political consensus can produce effective personnel management, binding financial controls and budgets, accountability and client responsiveness.

The Review concluded, in addition, that without political consensus for a strong central oversight capacity,

‘SAFCO decentralisation has facilitated the systematic award of discretionary payments and patronage positions to parties in exchange for agreement to enter the coalition’.⁹ It also warned that ‘...the current government’s civil service reform proposal must take issue with the apparent believe that Bolivia’s civil service reform needs boil down to a reengineering problem. Informality (absence of rule compliance) and political patronage are two key (and related) problems that will not be solved by reengineering; in fact, they may even worsen.’

Our study finds that the Review’s warnings were prescient. The implementation of the large civil service reform programme (the Institutional Reform Project) in 2000-2002 focused on re-engineering, formal rules and salary supplements while ignoring the need to focus on strong central oversight and compliance institutions, transparency and interactions with civil society. As a result, this large project was appropriated by narrow political interests and ‘traditional

⁶ ‘Diagnostico Institucional del Sistema de Servicio Civil de Bolivia’. Manuel Villoria. Junio 2002. Consultancy for IDB. Dialogo Regional de Politica.

⁷ In 1985 a political consensus on macro-economic stabilisation was achieved. Political consensus was also required to provide autonomy to the regulators, ‘Superintendencias’.

⁸ IGR, World Bank 2000. Vol. 2. p.16.

⁹ IGR, World Bank 2000. Vol. 1. Page 51.

project' dynamics. By contrast, public sector reforms that were able to build up political consensus and public support made more progress, e.g. Education, Customs.

Effective central controls are not compatible with the logic of the patron-client political system

Bolivian governments often accept reforms on the public sector's formal rules because they do not result in changes in actual practice and they allow access to donor financing which can then be captured for patronage. However, reforms to strengthen the enforcement of central controls and accountability are opposed by the political system, e.g. changes to the budget, sanctions for corrupt behaviour, etc.¹⁰ These reforms would threaten access to substantial patronage rents. While some reforms have reduced political patronage in specific areas, e.g. 'autonomisation' of the superintendency regulators; a broad civil service reform would introduce too wide constraints on patronage rents.

In the past, donors have not conflicted with the patronage political system because they have generally focused on formal rules, technical aspects and the need to maintain a good working relationship with the government authorities. As such, donors are always willing to identify 'modernizers' within the government and projects to introduce formal reforms. However, the Institutional Review recommended an approach focused on the incentives and nature of the political system.

2.2 Features of the Bolivian public service

Results-based public expenditure management is based on a system of performance measurement, the selection of targets, evaluation and verification, and monitoring (See Chapter 3 and Chapter 4). However, it requires a minimally effective bureaucracy, especially in personnel management, budgeting and financial controls. The Bolivian public administration does not meet these requirements,¹¹ as it is not impartial, predictable or accountable, and is characterized by pervasive political interference, high staff turnover, non-compliance of formal procedures and systemic corruption.

Politicised Personnel Management

Personnel management is a key to the success of results-based management. Unfortunately it is also the area where much of the clientelism and patronage practices take place in Bolivia.

Recruitment is informal

At most levels, recruitment criteria are not based on merit but on political loyalty. Therefore, a change in government usually results in a large turnover, even at non-professional levels.¹² A number of posts provide access to financial rents (e.g. Customs, SNC, donor projects) and are used to reward political or financial contributions to the party.

¹⁰ 'problem is with implementation because they would affect the distribution of political power in Bolivia'. The political system is very strong on regime maintenance. IGR, World Bank, 2000.

¹¹ Surveys show that performance and the respect of formal rules, however, are considerably greater in 'autonomous' Superintendencies.

¹² The World Bank survey shows that since 1997 more than a third of public employees had left the public administration.

Pay scales are informal and non-transparent.

Consultants, usually with good political connections, are used in line functions and are rewarded with high salaries, which are paid either by the arbitrary use of travel or training budget items or by donor project funds.¹³ The use of consultants is pervasive in Bolivia (even the civil service reform project (IRP) is managed by consultants). As in other countries, this system further fragments the public sector and demoralizes regular public sector employees. In other cases, high-level political appointees receive large discretionary salary supplements or over-time compensation.¹⁴ Salaries are ad-hoc, tied to individuals and not to posts. No government-wide pay scale exists and a wide range of salaries is paid for similar posts. These non-transparent pay practices contribute to corruption. Unfortunately, donor projects have often worsened these problems.

Informal methods of political control

Surveys in Bolivia show that the threat of job loss is very serious. More than 50% of the surveyed staff believes that they will be dismissed if they refuse to comply with political pressures. Employees protected by the previous civil service regime have been dismissed with the use of informal tactics, including threats of negative appraisals and even physical threats.¹⁵

Evaluation and accountability

Evaluations of staff performance are sporadic, inconsistent and often negative. Promotions frequently depend on political affiliation and loyalty. Formal individual annual operating plans (POAIs) are prepared in some government units but they are often of poor quality and are not generally used for career evaluation. Moreover, an administrative career structure has not yet been put into place.

In sum, while SAFCO provided a generally adequate framework for personnel management, the Ministry of Finance has not implemented it. In fact, the Banzer-Quiroga administration politicised and removed most of the technical staff in the National Service for Personnel Administration (SNAP), including some of the new ‘career’ civil servants. Some of the roles of the SNAP were then transferred to the ad-hoc project management unit of the Institutional Reform Project. The recently created Civil Service Superintendency, however, might be able to implement a more de-politicised personnel management.

Poor budgeting has been left untouched

Results-based management cannot work without a minimally effective budget system. Given the poor quality of the Bolivian budget, it is not surprising that the Institutional Review recommended that the modernisation project (Institutional Reform Project) should focus sharply in creating institutions to oversee budget and financial management reform. The project appraisal document included the reform of the Ministry of Finance and key budget reforms. However, the issue was soon dropped from the reform agenda and the Ministry of Finance was left unreformed. As a result, the budget process has not changed and while the integrated financial management system¹⁶ has brought some progress since 2001, there is still no institution that oversees compliance. The reforms proposed were incompatible with the patronage logic of the political system. Donors failed

¹³ Donors have weakened the public sector by creating parallel government structures with their own arbitrary pay scales.

¹⁴ The Ministry of Finance also manages personnel overtime in an ad-hoc non-transparent manner.

¹⁵ IGR World Bank, 2000. Vol. 1. p. 26.

¹⁶ SIGMA/ILACO was only able to achieve some progress after the World Bank imposed strict cross-conditionality with a number of projects—13 years after the launch of the initial project (See below).

to understand that an unreformed Ministry of Finance -with control over budget, financial controls and personnel management- would frustrate the modernisation objectives.

The Ministry of Finance has focused successfully on the control of the overall fiscal balance but not on the allocation or efficiency of expenditure. The budget is, therefore, not binding and it allows reallocations without proper authorisations and does not provide resources in a predictable or transparent way. As such, the budget is an important tool in the system of patronage and corruption as it allows for unrestrained opportunistic spending and ‘...allows Government to use budgets as a flexible means to accommodate shifting preferences of coalition partners and interest groups as they implement the annual budget’.¹⁷

Budget Formulation

Ministries prepare annual operating plans (POAs) as required by the SAFCO law. However, these are generally treated as mere formal exercises, as POAs are generally based on opaque line items and not on programmes. Similarly, targets are included but not linked to programmes or resources. The Ministry of Finance does not consider POAs when it evaluates the ministries’ budget proposals. Instead, budgetary decisions are based on past budget execution and political factors.¹⁸ Budget negotiations do not involve much technical discussion, as there is no systematic information on programme results.¹⁹ Budget negotiations are also particularly difficult because different political parties control different ministries or vice-ministries.

While the budget is supposed to be programme based, in practice its structure and composition do not allow for the identification of programmes or links to targets. Instead, the budget reflects mostly administrative and functional structures and allocates resources to opaque central functions. Recent projects have achieved some budget simplification but the budget continues to be too cumbersome.²⁰ This complexity does not facilitate public discussion of the budget.

The weakness of the budget process makes it very difficult to incorporate the strategic recommendations of the Poverty Reduction Strategy Paper while ex-ante poverty evaluation of policies is poor. However, donors have lobbied to achieve some protection of the education and health budgets, although their own projects had a mildly regressive impact (See PER, 1999).²¹

Budget Execution

In Bolivia, the approval of the budget does not ensure that resources will ensue, as there is a clear lack of commitment to the annual budget.²² The Ministry of Finance enforces a cash budget, with monthly allocations and daily line item payments approvals. These allocations and payments approvals are often arbitrary. Therefore, when there are cash flow problems, as with the recent suspension of donor budget support, the cash budget makes it very difficult for ministries to implement their programmes.²³ In some cases, resources are made available for non-essential expenditures but not for the key programmes.

¹⁷ IGR World Bank, 2000. Vol. 1. p.32.

¹⁸ The financial ceilings are not provided with sufficient time to be incorporated in the ministry’s annual operating plans. USAID reports improvement in municipal planning and budget formulation.

¹⁹ However, there is greater information on programmes in the capital budget, especially through the SISIN system. An attempt was made in 1999 to analyse budget proposals in the context of a zero based budgeting exercise but the analysis was not completed.

²⁰ SIGMA and other initiatives are reported to be introducing a more complete and reliable budget information. However, SIGMA does not cover as yet Departments (regions) and municipalities.

²¹ During the PRSP process many donors did not want their projects to be re-assessed according to the new poverty criteria.

²² In fact, the Bolivian system uses as many as 3 budgets at the same time. Budget has been traditionally adjusted upon approval (presupuesto vigente).

²³ The MoF, with much discretion, decides additional requests for funds.

In this context, agencies often find legal and extra legal ways to reallocate budget lines without proper authorisation,²⁴ for example, ministries use false claims on their spending. This provides opportunities for corruption, but it is also a way for ministries to cope with the unreliability and unpredictability of the budget.²⁵ The aggregate budget estimates are usually close to actual aggregate out-turns but with large reallocation of expenditures, the discrepancies between estimates and out-turns of individual agencies is significant. The budget aspires to a strict control of line items but in practice only an aggregate control is achieved, as there is little control or even information on the final destination of allocated funds. There are inadequate central controls and no systematic monitoring of physical and financial execution. No sanctions are enforced against the arbitrary expenditure of funds without authorisation.²⁶ In practice, only an appearance of compliance is achieved.

Little progress has been made towards a results-oriented budget or towards a medium-term expenditure framework.

Weak internal and external controls

The 1990 SAFCO law objective was to improve central oversight in order to allow for operational decentralisation (see section C). In practice, the Ministry of Finance and the Audit Office (Contraloria General de la Republica) have done very little to improve compliance with central norms. Consequently, decentralisation has taken place without normative centralisation and this has probably ‘contributed little to improving efficiency and result orientation of line agencies and has probably permitted more opportunistic behaviour at the agency level’.²⁷

Several World Bank projects (ILACO 1 and ILACO 2) focused on the technical aspects of an integrated financial management system (SIGMA) but little has been achieved in actual practice. Since 2001, with significant donor pressure,²⁸ SIGMA has been introduced in the central administration, but in the absence of strong enforcement, independent verification and a sanctions mechanism it has been difficult to assess the impact of these formal changes. This is significant because the Institutional Review concluded that Bolivia’s problems were not related to the nature of formal systems or procedures but to the way that these same systems and procedures were circumvented. The new systems are not doing enough to make the financial systems more open, transparent and relevant to Bolivian citizens, as only donor experts monitor these developments.

The Audit Office produces quality reports and identifies many weaknesses in the public sector, e.g. poor functioning of Internal Audit units- See Chapter 4. However, even when the reports identify corruption, not much is done about it.²⁹ The Audit Office is a secretive institution and does not have a communication policy to strengthen its links with civil society.³⁰ On the other hand, while Parliament receives the Audit Office reports it does not follow up on these reports (Chapter 4). Prosecutions for corruption are also difficult given the inefficiency and corruption existing in the judiciary branch. There is no activity in the IRP that addresses these weaknesses.³¹

²⁴ The budget has also been traditionally reformulated in the middle of the year.

²⁵ IGR World Bank, 2000. Vol. 1. pp.35-39. Budget is adjusted through the processes of reversion, reformulation (Congress) and reassessment (to transfer financial balances).

²⁶ The accounts of ministries and agencies are very rarely frozen for lack of compliance.

²⁷ IGR World Bank 2000, Executive Summary. p. vi.

²⁸ The World Bank imposed a cross-conditionality on the progress of SIGMA with other credits. This was possible because of the devolution of all responsibilities for project management to the field. This decentralisation arrangement was changed after 1 year.

²⁹ The Audit Office has technical capacity but no authority to help prosecution or to enforce sanctions against improper behaviour. It can only audit 20% of government agencies (and a further 10% through the private sector). The Annual Report of the Central Administration is not audited. IGR, World Bank 2000 vol. 1. p. 39.

³⁰ See IGR World Bank 2000, vol. 2. p. 30 and Chapter 3.

³¹ The Audit Office has received training on forensic audits. However, enforcement has not been emphasised.

Recent surveys show that 50% of public employees do not believe that the SAFCO law encourages a focus on results.³² Moreover, 45% and 26% of public employees also believe there is a lot or some corruption in their work place. 87% believe that corruption is a very serious problem but only 18% replied that corrupt behaviour is always or frequently denounced.

'Citizen voice' begins to be heard

Given that internal controls are weak, the use of 'citizen voice' is particularly important in Bolivia to improve the transparency, accountability and the flow of information, as was emphasised by the Institutional Review.³³

The 1994 Popular Participation Law and decentralisation have introduced a number of social control mechanisms e.g. Local Oversight Groups- Juntas de Vigilancia. Other institutions, such as the Ombudsman (Defensora del Pueblo) have also begun to defend the rights of Bolivian citizens.³⁴ Moreover, while the press has strong links with the political system³⁵ it has still managed to put corruption on the country's agenda (e.g. as with the denunciation of corruption allegations levelled at the two previous Custom's directors).³⁶

Local Oversight Groups have often been 'captured' by narrow political interests, and this has limited their capacity to monitor public investments (See Chapter 4). The extremely politicised use of Social Funds has also contributed to strong patronage practices at the municipal level. However, the LOG have worked better when active social organisations in small municipalities were present.

The National Dialogue Law and the PRSP

Bolivian governments have not been very responsive to public opinion and demands. However, in the year 2000, the government carried out a number of public consultations in the context of the HIPC II. The consultations were heavily controlled by the government but the results were positive, particularly the Law of Dialogue 2000. This law institutionalised regular consultations every three years and allocated HIPC II resources to municipalities. It also introduced mechanisms for the monitoring of results and social control of these resources, Mechanism of Social Control at department and national level. This responded to a key demand of civil society: that HIPC II resources be directed to the municipalities.

While it is unlikely that the PRSP will result in changes in the budgeting process, or the allocation of resources, or stronger financial controls, the Law of Dialogue increases significantly the incentives for social participation and vigilance in the use of HIPC II resources. It also regulates social participation on the boards of some clientelistic government institutions, e.g. Social Funds management board.

The Mechanism of Social Control is co-ordinated at national and departmental levels by the Church while at a municipal level it is based on the strengthening of the Local Oversight Groups. Government has a clear information advantage over these new civil society institutions but the

³² 'The Experience of Public Officials in Bolivia: What Works in a weak institutional environment? Report on a survey of public officials in Bolivia. Funded by the Dutch Trust' Funds' May 2000. World Bank.

³³ The importance of the use of citizen voice was central to the IGR 2000 and its recommendations for IRP implementation. However, the IRP has not had interactions with the public.

³⁴ Anecdotally, during our country visit, a senior general was found by the press to be using conscripts to work on his agricultural land. While initially supported by the army, the work of the Defensora del Pueblo eventually resulted in the resignation of the general.

³⁵ 'Diagnostico Institucional del Sistema de Servicio Civil de Bolivia'. Manuel Villoria. Junio 2002. Consultancy for IDB. Dialogo Regional de Politica.

³⁶ USAID financed study "Bolivian Customs Reform: A Case Study of Consolidating Democratic Institutions", November 2000, Lanyi, Guevara and Bell. Center for Institutional Reform and the Informal Sector. University of Maryland.

Mechanism is drawing on the resources of the Church, NGOs and grass roots organisations.³⁷ It has already developed a vision of the importance of ‘democratising’ information as a way to mobilise citizens. The role of the Mechanism is very important in the implementation of the PRSP given the fact that there is no government champion of the PRSP and the government’s poor understanding on how to interact with civil society.³⁸

Role of Donors

Bolivia receives resources from foreign donors equivalent to about 10% of its GDP. The economic reform process initiated in 1985 has provided donors with a successful model for economic stabilisation. However, the level of corruption and poor performance of public services has led donors to focus on governance. Substantial aid has made stabilisation easier but has also contributed to the fragmentation of the public sector. As in other countries, donor projects, the set-up of parallel project structures, local consultant salaries and donor competition have weakened normal government structures.

Bolivia has served as a pilot for many donor initiatives, among them the Comprehensive Development Framework. This initiative focused on improving donor coordination and sector leaders were selected. However, coordination among donors is difficult due to the fact that they employ different systems, e.g. in decentralised decision-making. Few sector-wide programmes have emerged (e.g. education) and most donors continue to work through projects, e.g. even the civil service reform is managed as a ‘classic’ project. Also, donors have not provided much aid in the form of budget support given Bolivia’s poor budget process.

Donors have played an important role in supporting dialogue between the government and civil society, particularly in the context of the HIPC II and the PRSP, and have often pressured for the de-politicisation of some areas of the public administration, e.g. Customs and the Civil Service Superintendency. However, the donors’ record in supporting civil service reforms has been weaker. Donors have had difficulty in learning lessons from past experiences (e.g. the Civil Service Administration Reform project) and the recent Institutional Reform Project has failed to adopt the recommendations of the recent Institutional and Governance Review. In the recent civil service reform project, donors failed to understand the political nature of the reform and the need for a transparent process with civil society participation. Here, donors have replaced, rather than supported, civil society.

Some donors have noted the complexities involved in understanding how to support public sector reforms in a country like Bolivia. In many cases, this lack of understanding has been compounded by the fact that donors have few public sector/political specialists in country and they have a limited country institutional memory. As a result, project supervision ignores political complexities and previous lessons, e.g. weakness of the current civil service reform project is very similar to that of the previous one.³⁹ Donors focus more on subjectively identifying ‘reforming elements’ in each administration than in understanding the nature of the political system.

2.3 Recent initiatives for public sector modernisation

This section provides a map of the main initiatives to reform the public sector in Bolivia. Details of some of these initiatives are discussed in the next two chapters of this study.

³⁷ Government counterpart is the CISEE formed by the UDAPE (Policy Analysis Unit), INE (Statistics) and VMPEPP (Vice-ministry of Popular Participation). The Inter-institutional Committee of Monitoring and Evaluation (CISEE) has little political authority to ensure the implementation of the PRSP.

³⁸ A special team led by a consultant from outside government led the PRSP.

³⁹ USAID Bolivia employs local professionals with decades of experience and also staff from headquarters. This might explain the greater continuity in many of their programmes.

SAFCO

The 1990 law of Financial Management and Control (law 1178)⁴⁰ was intended to support a results-oriented public expenditure management system. It focused on results, transparency and accountability; promoting normative centralisation and operational decentralisation. The law covers 8 systems, including, planning, personnel, accounting and controls. The full application of this law, in actual practices rather than formal rules, would have required strong enforcement institutions. However, these institutions do not exist even today. This is important because the Institutional Review argued that the SAFCO law has had perverse effects by allowing operational decentralisation without central normative controls, it

‘has facilitated the systematic award of discretionary payments and patronage positions to parties in exchange for agreement to enter the coalition (political).’⁴¹

Even formal progress was not possible until the year 2001 (as described) when the Ministry of Finance required the central administration to introduce the new integrated financial management system (SIGMA).⁴² Sector interviews indicate that technical implementation of SIGMA is variable, and some systems are implemented poorly (e.g. budget planning and execution, personnel management). As a result, the impact of the new system in reducing corruption appears to be low.

A previous reform fails but no lessons are learnt

The economic stabilisation plan was implemented with the support of donor-financed consultants working at the core of government. However, in 1989 the government proposed a special labour regime for 700 key posts, a proposal that was later transformed into a civil service system for all employees in 1992. The 1993 government of Sanchez de Losada had other priorities and reduced the programme to 2,566 posts. Moreover, the

‘new ministers tried to fire civil servants hired under the PSC (civil service programme) initiated during the previous administration...Under pressure from the dismissed civil servants, the UESC responded by withdrawing the donor funds from the Ministry of Agriculture, until eventually the civil servants were reinstated.’⁴³

This ‘old’ civil service programme had remarkable similarities with the current Institutional Reform Project. It focused on the incorporation of staff to the civil service from selected agencies and required the signing of implementation agreements (including recruitment conditions) with each pilot agency. The programme also required the revision of annual operating plans, individual operating plans, internal audits and the enforcement of personnel norms and non-financial SAFCO systems, including monitoring and evaluation. However, the results of the ‘old’ programme were disappointing, as by November 1997 only 248 posts were filled and retention was poor.⁴⁴ In part this was because project management was too centralised and as a result participating agencies did not ‘buy’ into the modernisation (also because of political resistance). Moreover, project management had an unclear place in the organisational structure and did not have capacity for oversight.⁴⁵

⁴⁰ Government system for Administration, Fiscalisation and Control

⁴¹ IGR, World Bank, 2000. Vol. 1. p. 51

⁴² The World Bank had provided financial support for these initiatives since 1987 (ILACO and SIGMA) with very little progress, see IGR World Bank 2000. p. iii, pp32, 41, 51-52 SIGMA has also received funds from the Institutional Reform Project.

⁴³ Arguably also because of the need to maintain patronage resources in the context of privatisation and decentralisation reforms. The UESC, the project management unit, was located in the Ministry of Finance. IGR World Bank 2000. Vol. 2. p.13

⁴⁴ The World Bank did not provided funds for this project after the Project Preparation Facility (PPF), IGR 2000. World Bank. Vol 2. p. 15. Justice, Agriculture and the National Statistics Institute had the highest civil service posts

⁴⁵ “Initially, the Director of the UESC had direct access to the Minister of Finance, but gradually it was moved further away From the centre of power” IGR World Bank 2000. Vol. 2 p. 15

The incoming Banzer-Quiroga administration further weakened the National Service for Personnel Administration and violated basic personnel norms by recruiting arbitrarily without competitions while forcing out many of the competitively recruited civil servants.⁴⁶ The Review warned, that this intervention ‘can only bode badly for the quality of personnel policy in the future’.⁴⁷ In this context, the government was preparing a new civil service reform project (the IRP). In practice, the new civil service reform project repeated many of the mistakes of the ‘old’ project.

Success in some sector reforms

Some progress has been made at the sector level, particularly when political and donor support has been strong. The 1994 education sector reform, which includes primary and secondary education, has integrated donor projects and has financed salaries of all staff in the vice-ministry. Similarly, the health sector reform project⁴⁸ has supported a relatively advanced performance management system and appears to have contributed to improved outcomes. However, in the health sector, donors still finance projects and Ministry’s units separately, including salaries. Recent governments have introduced important institutions and initiatives in the Justice sector⁴⁹ but there are still disagreements on how the new institutions should operate. Nevertheless, the Ombudsman (Defensora del Pueblo) and the implementation of the penal code (with support from USAID) appear to have made considerable progress.

A number of regulatory agencies have been given autonomy (Superintendencies) and this has resulted in improved performance. These changes required significant political consensus in order to eliminate patronage in these specific areas. However, these reforms cannot be easily replicated in the central administration where coordination with other agencies is particularly important. This model of ‘autonomisation’ has recently been successfully introduced in Customs. By contrast, the 1996-decentralisation reforms in the road transport sector resulted in weaker capacity and increased corruption.⁵⁰ Some of the reforms were reversed but the sector capacity remained weak. After many delays, the government appointed in September 2001 the board of the National Road Service (SNC) and signed a large reform project with the World Bank. The SNC is following the ‘autonomisation’ model and is receiving financial support from the Institutional Reform Project.⁵¹

An Anti-Corruption Plan and a large public sector modernisation project (IRP)

In 1998-1999, the government prepared the National Integrity Plan that included measures for improving the justice sector, the modernisation of public administration and mechanisms to fight corruption. The implementation of the plan was to be monitored by a Commission with wide institutional and civil society participation. Donors were elated to support an anti-corruption plan and they provided USD 72 million in a new Institutional Reform Project, signed in 1999.⁵² (However, its implementation did not allow for any interactions with civil society- see below).

The Institutional Reform Project (IRP) aimed to improve the effectiveness, efficiency and transparency of the public administration.⁵³ While the project, according to its appraisal document p. 2, was designed in close collaboration with the Institutional Governance Review it did not

⁴⁶ SNAP succeeded the UESC. 75% of the SNAP staff was replaced.

⁴⁷ IGR World Bank 2000, Vol. 1. p. 14

⁴⁸ A credit signed in 1999 with the World Bank.

⁴⁹ Constitutional Tribunal, Judiciary Council, Ombudsman, and the approval of the Penal Code and introduction of public attorneys, “Informe de Desarrollo Humano Bolivia”, 2002. UNDP. Fernando Calderon Gutierrez.

⁵⁰ 1999 World Bank Project Appraisal Document on a Proposed Credit in the Amount of SDR 62 million to the Republic of Bolivia for the Road Rehabilitation and Maintenance Project, March 15, 2002.

⁵¹ The IGR 2000 advised against the “autonomisation” of the SNC. Vol 1. p. 69.

⁵² They were very confident that the Vice-President Quiroga was the key “modernizer” in the political system. The World Bank contribution was USD 32 million.

⁵³ Project Appraisal Document, May 1999. p. 2.

emphasize sufficiently central oversight, enforcement institutions or the importance of achieving political consensus to reduce patronage.⁵⁴

The appraisal document states that the project intends to reform the budget and financial controls, create a national evaluation system and fight corruption through the simplification of three procedures and the introduction of a system to declare income and assets.⁵⁵ However, the project does not discuss how these activities are going to achieve changes in practices, rather than formal rules, in the absence of strong compliance mechanisms.⁵⁶ For example, why should the Ministry of Finance reform the budget and financial controls, when it has not implemented changes in the past? What is the use of training forensic auditors if sanctions for non-compliance are never enforced? How are impartial evaluations to be carried-out in an extremely politicised environment? As in the past, and contrary to the lessons of the Review, the focus of the project is on ‘technical’ activities without taking patronage politics into account. This weakness, together with poor implementation, has resulted in no changes in the budget and only formal changes in the other areas (evaluation, financial management systems and anti-corruption).

The IRP finances mostly organisational studies and additional salaries for civil service posts in pilot agencies. The project adopted a radical and risky approach where all pilot agency posts are subject to competitive recruitment but no uniform salary structure for pilot agencies has been adopted,⁵⁷ and the Ministry of Finance did not become a pilot for the project, as proposed in the project appraisal document. As a result, the budget process has not been reformed and there has been no links between the national evaluation system (SISER-Ministry of the Presidency) and the budget.

The following agencies have signed agreements with the IRP in 2001 and 2002, Agriculture, Customs, Housing, National Road Service (SNC), Education and the National Service of Internal Taxes.

Poor institutionalisation of the IRP

The Institutional Reform Project management was located in a ‘parallel government’ unit (Unidad Tecnica) and was staffed with consultants reporting to the Vice-President, who has no executive powers. While initially this might have been perceived to be a clever choice by donors, support to ‘modernizers’, it contributed to fragmented government, unaccountable authority of consultants, political infighting for project resources and poor transparency. Only a small committee of donors was informed of project activities.

In this context, the project over-lapped and had a conflict of mandates with the National Service of Public Administration (SNAP) and with the Civil Service Superintendency.⁵⁸ Project management also conflicted with certain Ministries (e.g. Education). An example of the over-lapping of functions is shown by the fact that the Superintendency signed a ‘reform agreement’ with the

⁵⁴ “concerted efforts must be made at the initial stage of the IRP implementation to establish effective oversight mechanisms in the core areas of personnel management and well functioning institutional mechanisms for generating and sharing information within the public sector” IGR World Bank. 2000. executive summary p. ix.

⁵⁵ Measures also included: the Civil Service Statute (approved before project approval), the strengthening of prosecution of corruption – studies for the Ombudsman Office and training of forensic auditors, procurement reform (at legislative state) and a citizen education campaign (not implemented). Only some of these activities have taken place but their sustainability is poor, (e.g. statements of assets, training of forensic auditors, simplification of some procedures. See Documento de Revision, February 2002.

⁵⁶ The IRP provided a small financial support to the Civil Service Superintendency.

⁵⁷ The donor supervision missions (November 2000, April 2001, February 2002) emphasised the importance of these measures. The last mission recommended to “the donor committee to carry out the most strict monitoring of this recommendation ” (definition of a salary structure). But the MoF did not comply. The supervision missions also proposed to move the management of the IRP to the MoF.

⁵⁸ A severe problem of contradictions of mandates and roles (IRP, SNAP and SCS)” p. 43 Diagnostico Institucional del Sistema de Servicio Civil de Bolivia”. Manuel Villoria. Junio 2002. Consultancy for IDB.

Institutional Reform Project ⁵⁹ as a condition to access funds needed to pay for office rent and equipment. As a result, donor-financed consultants have the responsibility to ‘supervise’ the civil service ‘supervisor’.

The poor institutionalisation of the IRP also resulted in a project that had no comprehensive vision of the civil service reform and implemented activities in a fragmented way.

Weaknesses in IRP’s organisational studies and recruitment

The project’s main reform strategy involved the use of organisational restructuring studies and the competitive recruitment of all agency staff through private companies. It was expected that newly recruited staff would be motivated by higher salaries initially financed by the project (although this raises some sustainability issues).⁶⁰ However, agencies have often been motivated to participate in the IRP to obtain salary increases rather than by their desire of introducing reforms. Moreover, the poor capacity of agencies (and possibly patronage) has resulted in the inefficient use of large re-engineering consultancy teams and non-transparent recruitment. The assumption that the use of private consultancies would reduce inefficiencies and patronage has proven mostly unfounded.⁶¹

While the Institutional Governance Review found that formal procedures were not enforced in Bolivia, the IRP emphasised the use of formal agreements between government agencies and the project (institutional reform agreements –ARIs-and strategic programmes of institutional reform – PERIS) instead of focusing on building political consensus and establishing compliance mechanisms. Therefore, the project continues to engage in the risky approach of supporting operational decentralisation without ensuring central compliance. In this context, ‘In a country where the guiding maxim is ‘rules are made to be broken’, the new reform program is unlikely to succeed where others have failed.’⁶²

The Institutional Review also questioned the sustainability of the civil service reform programme in the context of a mega coalition of five parties that relies ‘on patronage posts to distribute to their supporters.’⁶³ This consideration remains valid today, since the new government is also the result of a large coalition of many parties.

Reforms in Customs: Success

The Customs reform was the result of a consensus on the de-politicisation of customs that resulted in the appointment of a strong independent head in August 1999. The two previous managers had resigned because of corruption allegations. Public opinion, the private sector and donors supported the cleaning-up of Customs. An anti-corruption incentive and sanctions system was introduced, including anti-nepotism rules, internal investigations and ethics units and follow-up checks. Customs related offences were also criminalized.

⁵⁹ February 2002. Documento de Revision. Berglof, Cintora, Cortez, Medina y Reyes.

⁶⁰ The Education Sector Reform followed a similar approach and the Treasury was not able to replace donor funding. The financial sustainability of the IRP is fragile, as discussed “Actualización sostenibilidad financiera del Proyecto de Reforma Institucional”, Javier Cuevas, July 2002. Donor contribution of personnel costs in the IRP was projected to decline in 5 years (80,80,60,60,30 percent).

⁶¹ The Superintendency noted that private companies were initially unable to adapt to the requirements of the public sector. In some cases, “uni-personal” consultants are now being used (e.g. SNC, National Service of Internal Taxes). These are perceived by IRP management to have been more effective in Bolivia. However, large consultancy teams are being used in other ministries (e.g. Health, Justice, etc).

⁶² IGR World Bank 2000, Vol 2. p.18

⁶³ IGR World Bank 2000, Vol.1. p.17

The reform appears to have been successful.⁶⁴ This success has little to do with the reform approach recommended by the IRP, however. In fact, Customs did not follow the IRP model⁶⁵ and the IMF coordinated most donor support. However, note that systemic issues affect the performance of Customs, e.g. weakness of customs police and the justice system and the limited support from the Ministry of Finance.

Civil Service Superintendency: A promising start

The Civil Service Statute was approved in 1999 but the Superintendency only began its work in June 2001. The head of the Superintendency was appointed by a 2/3 majority of the Congress. The Superintendency now supervises the incorporation of staff into the civil service and the recruitment processes financed by the Institutional Reform Project. The Superintendent noted that some of the recruitment processes have been weak (e.g. Social Funds and Housing) while others have been of good quality, e.g. Customs. The Commission is also developing a strategic vision of the reform process⁶⁶ and has noted that the current reform strategy does not include a career and salary policy, only supplementary salaries. This has resulted in expensive recruitment and low retention rates. The Superintendent also stated that the IRP has tried to reform institutions from 'outside the institutional order' (the Vice-President does not have executive powers).

The Superintendency's role is central to a civil service reform that can be easily manipulated by the parties in power. It is therefore essential that the political neutrality of this institution is respected and that it is awarded a strong authority on enforcement and compliance. It should be noted that the Superintendency initially had difficulties in obtaining financial resources even though it has earmarked resources from the Treasury.⁶⁷

Public Pressure for Reforms

The Institutional Review noted that it is 'unrealistic to expect that politicians whose political future depends on reliance on the 'cuoteo' politico to easily give up their current source of power'. However, the Review also noted that there were some strong social pressures for reform (unless

'public sector performance improves noticeably, public discontent with the government (whoever is in power) and eventually with the current political system may lead to serious deterioration of the democratic governability in Bolivia...'⁶⁸

Recent election results appear to confirm these strong pressures, e.g. very poor results for the governing party and strong results for an anti-establishment party. The incentives for adopting 'biting' reforms in the public sector appear high.

⁶⁴ Customs have introduced a number of anti-corruption measures: selecting agents, changing rewards and penalties, gathering information, restructuring the principal-agent-client relationship and changing attitudes about corruption (Klitgaard model). See *Bolivian Customs Reform: A Case Study of Consolidating Democratic Institutions*, November 2000, Lanyi, Guevara and Bell. Center for Institutional Reform and the Informal Sector. University of Maryland. The Customs reform was initiated with strong technical support from the IMF.

⁶⁵ In fact, the results of the organisational consultancy was rejected by Customs. See "Documento de Revision", February 2002 (For IRP supervision mission). There were also some problems with the second consultancy, the communication strategy was not accepted by Customs.

⁶⁶ However, note that the Superintendency does not have a mandate over municipalities.

⁶⁷ The Superintendent carried out its work for 7 months without receiving remuneration. Resources for the Superintendency are earmarked but in practice the SCS has had to negotiate the allocation of funds with the Ministry of Finance.

⁶⁸ IGR World Bank 2000. Executive Summary p. vii.

Chapter 3: Measuring performance

This Chapter reviews progress in a key element of results-based management, the use of targets and indicators of performance. This chapter concludes that the government is increasingly using the ‘language’ of performance measurement, especially in the setting of targets, e.g. PRSP and health sector. However, this has not been translated into practice because targets are not linked to budgeting or personnel management. Targets are mostly used for perfunctory reasons and have not been internalised, e.g. targets used in annual operating plans and the new evaluation system-SISER. They are selected in a top-down manner with little participation from service providers or users. The health sector reform project has made some progress through the introduction of clear targets and performance contracts. By contrast, the Institutional Reform Project has used ‘performance contracts’(ARIs, PERIs) with few results.

3.1 How are targets and indicators used?

Budget process: does not use performance indicators

The budget process is arbitrary and unreliable as a result of the party’s capture appropriation of the state, Chapter 2. The budget does not allow a programme classification or the strategic use of targets. It does not rely on a performance management system. Moreover, the strategic role of the budget is limited by the absence of a multi-annual budget, Medium Term Expenditure Framework.

Ministries and local governments: poor use of targets and indicators

The SAFCO law requires annual operating plans (POAs) for all Ministries. These POAs include a long list of indicators and targets. However, the POAs are marginal to the budget process and have become a mere formality, contributing little to planning or to performance measurement. The process of decentralization has given greater importance to local government planning and some improvements have been made. However, capacity for performance management is still poor. Participative planning has been attempted in a few municipalities but this has some limits since political parties have co-opted many municipalities.

Education: greater use of targets

There is a widespread perception that the education sector reform has been quite successful,⁶⁹ even if its outcome indicators have not shown significant improvements. The reform has strengthened the role of targets and indicators in the planning process⁷⁰ and these targets have been incorporated into the Poverty Reduction Strategy Paper (see below).

The education sector strategic plan 1999-2002 included 4 strategic and 14 specific objectives. The plan has been made operational through the POAs of different units. These POAs specify the activities and inputs required and they contribute to the allocation of resources within the Vice-Ministry of Primary and Secondary education (VPEIS). Sector targets have been formulated with little consultation from outside the ministry (e.g. departments –SEDUCA- municipalities or parents) and have not fully used the internal information available. This is due in part to the weakness of the Educational Information System (SIE) and because of the partial (maybe political)

⁶⁹ In the Vice-Ministry of Primary and Secondary Education. The reform programme has focused on primary and secondary education and the ministry is still very fragmented.

⁷⁰ Targets are only used in a very indicative manner; they do not affect or are affected by budget allocations.

use of SIMECAL (information on education quality)-(Chapter 4). The new education sector plan 2003-2010 intends to overcome some of these difficulties.

Since 1998, government and donors have established a common set of targets and indicators that are used in joint donor assessments. For example, the most recent annual evaluation⁷¹ includes 15 pages of tables, measuring the degree of quarterly progress in 4 main areas of activities and 286 sub-activities. This joint evaluation replaces annual independent assessments by each donor and as such reduces the burden for the government. However, the systematic monitoring of so many activities is probably excessive and indicates a focus on activities and budget execution rather than on results.⁷²

As donors finance the education sector programme, including salaries, its activities have been mostly adequately budgeted. However, counterpart local funds have been sometimes unavailable and this has created many difficulties to the ministry. Moreover, the Ministry of Finance has not been able to replace, as agreed, the donor financing of salaries.

Health: advanced use of targets

Health sector reforms have advanced less than reforms in education, as there is still evidence of strong donor competition.⁷³ However, in the last three years the health sector has produced significant improvements in many performance targets and indicators, see quality of the systems for verification of results, Chapter 4.

The Ministry of Health has formulated targets for the entire service (often linked to specific projects) and these targets have been communicated at the departmental level, SEDES, Health Regional Services. The Ministry sets targets after internal discussions and consultations with some implementing agencies. These targets are adjusted when new information becomes available e.g. the 2001 census. The ministry has also strengthened its planning and has redesigned its POAs making them more useful and easier to monitor. Donors have recently agreed to base their assessments on a joint set of indicators, some of which reflect quality of services. These indicators will be evaluated every 6 months.

The most important thrust for the introduction of performance measurement tools and results-orientation has come from a health sector World Bank project prepared in 1997.⁷⁴ This project has followed a results-based framework, providing for some operational flexibility and setting and monitoring 8 performance indicators.⁷⁵ The second phase of the project was made conditional on reaching at least 5 of the 8 target indicators. These indicators were chosen after an analysis of the sector but without specific consultations with users. The project has used performance contracts with departmental authorities, hospitals and municipalities; and has even introduced some benchmarking (see below).

⁷¹ Programa de reforma Educativa Informe de Evaluacion Anual. 2001. Ministerio de Educacion, Cultura y Deportes. Vice-Ministerio de Educacion Inicial, Primaria y Secundaria. Unidad de Programacion, Seguimiento y Evaluacion.

⁷² In 2002, a system of "continuous assessment" of the education programme by donors has been introduced to replace monitoring missions "OECD-funded Study of harmonisation of Donor reporting and Monitoring Systems. Bolivia Case Study", Andrew Nickson, 2002.

⁷³ Nickson (2002), Quinteros (2002) "Reporting and Monitoring Efforts in Bolivia" and also our discussions with donors. However, a committee for donor co-ordination was set up in mid 2001. Nickson notes the competition between the IDB and the World Bank on institutional development.

⁷⁴ Project Appraisal Document on a proposed Adaptable Program Credit in the amount of 17.8 SDR (25 mill USD) to the Republic of Bolivia for a Health Sector Project, March 31, 1999. See also 2001 project, June 12, 2001.

⁷⁵ The use of results-orientation is so explicit, that the officials of the sector said that it provided the ideas for the formulation of the Institutional Reform Project.

The project reported that it has met all of its performance targets. It has also provided the Ministry with valuable lessons in the implementation of performance management. The success of the project appears to have motivated other donors to improve the effectiveness of their projects in the health sector. However, the project needs to consider the following issues, a) the reliability of the sector data (SNIS) (see Chapter 4), b) the proliferation of performance contracts in a weak institutional context and c) the effects of World Bank competition, attracting human resources for its own project rather than for the reform of the entire sector.

Box 1: Performance indicators Health Sector Reform Project 1999

The 1999 World Bank Health Sector Reform Project established 8 performance indicators as triggers to move from Phase 1 to Phase 2. The Second Phase Health Sector Reform *Program* appraisal document (June 2001) reports that by the end of 2000, 7 of the 8 targets for 2001 were reached (a year ahead of schedule). In addition, the second trigger to move to Phase 2 was to introduce institutional innovations in: the implementation of Performance Agreements, Basic Health Insurance, Second Generation Expanded Program of Immunization, Investment Mechanisms for the Health Sector and Treatment Protocols. The appraisal document concludes that this trigger was also met.

On the impact of the programme see also 'Health Reform in Bolivia: Generating Evidence and Sustainability with Performance-based Management' February 2002, IESE and The World Bank.

Achievement of Trigger for the Performance Indicators

	Baseline 1996-98	Target 2001	Results 2000
Coverage			
1. Births attended by trained health personnel	36%	43%	50%
2. Number of pneumonia cases attended in health ss.	68,346	105,000	112,154
3. Number of diarrhea cases attended in health ss.	292,417	370,000	450,772
4. DPT/Hib/Hepatitis B vaccine coverage	75%	75%	86% (*)
Quality			
5. Complete prenatal care attendance	28%	36%	32%
6. Early neonatal hospital mortality (per live births)	1.4%	1.2%	0.9%
Equity			
7. Number of municipalities DPT/Hib/Hepatitis B coverage of less than 80%	212	119	72 (*)
Sustainability indicator			
8. Financing of vaccines by the borrower (USD m.)	0.5	3.5	3.5 (**)

Source: Page 10 and Page 32 of the project appraisal document, Second Phase Health Sector Reform Program.

(*) Annex 1(a) provides slightly different data. The recent Informe de Gestion 1997-2002 provides results for the year 2001. Ministerio de Salud y Prevision Social (p. 105). The baseline for indicators 4 and 7 is based on DPT vaccine. However, targets referred to the pentavalent vaccine (diphtheria, tetanus and pertussis-haemophilus influenzae type B –hepatitis B). Results appear to refer to the coverage of the DPT vaccine only (See note on indicator 7 on annex 1 (a).

(**) Indicator 8 refers to budgeted amounts and not to budget execution, target was not achieved in 2001.

PRSP: effective use of targets but no links to the budget process

The Poverty Strategy Reduction Paper provides a coherent anti-poverty plan and is consistent with a results-based framework, as it includes targets for 'impact', outcome and intermediate

indicators.⁷⁶ It also proposes a system to monitor performance. However, at this point, it is doubtful that many of the proposed PRSP policies will be implemented given the absence of a strong government champion,⁷⁷ the poor institutional environment and the high level of corruption.

PRSP targets are derived mostly from existing sector plans and as such they are consistent with the budget. However, it is unlikely that the pro-poor approach promoted by the PRSP will be incorporated into the budget process that is mostly political and patronage driven. PRSP targets were chosen by the technical PRSP team based on the existing ministry's work, which typically did not involve consultation with implementing agencies or service users.⁷⁸ Only in a few cases, targets were indirectly derived from higher-level poverty reduction goals. The participation of civil society in target setting was also limited by the fact that civil society was mostly interested in the allocation of HIPC II resources. Donors, however, had a strong input in the selection of targets and indicators, given their interest in ensuring that their own projects were considered as PRSP priorities. In some cases this insistence risked distorting the content of the PRSP.

PRSP 'impact' targets (outcome indicators related to poverty) are generally relevant but they will need to be adjusted to take into account the results of the 2001 census (See Box below). Intermediate outcome indicators adequately cover income per family, education and health but do not cover the rural sector. There are also gaps on results/inputs indicators e.g. on security and participation.⁷⁹ In general, there is relatively little cross-consistency in these indicators, e.g. while the education indicators focus on spending/inputs, health indicators focus on results indicators. Moreover, PRSP indicators might be too numerous given the government's capacity to monitor performance, particularly at local level -although targets are not disaggregated geographically.

The PRSP programme is adequately budgeted, as the PRSP has only reframed into the poverty framework existing government strategies, policies and programmes. The government has been able to produce a consolidated expenditure matrix following the PRSP framework.

Broadly speaking, results-orientation has been better promoted by sector reforms than by the PRSP. However, the use and monitoring of HIPC II resources in education and health and the reform of the Social Funds may contribute to a greater results-orientation. Unfortunately, until now, the reforms of the new Social Funds have not been positive- See section 1.3.

Box 2: Outcome and Intermediate Indicators in the PRSP

Goals for Outcome Indicators

Per capita family income (in 1999 dollars)

Infant mortality rate (per 1000 live births)

Maternal Mortality rate (per 100,000 live births)

Residential infestation by Chagas disease (as a percentage)

Academic delay

Continued school attendance in first cycle of primary schools (promotion to 4th)

Students with at-risk academic performance in language arts
Students with at-risk academic performance in mathematics

⁷⁶ In these studies' terminology the PRSP includes targets for poverty outcome, outcome and activities.

⁷⁷ The PRSP document was produced by a special task force headed by a consultant (supported by UDAPE). This is understandable given that government-civil society consultations are difficult in Bolivia.

⁷⁸ For example, the health sector issues in the PRSP are based on the "Plan Estrategico de Salud de Lucha contra la Pobreza: 1997-2002)

⁷⁹ IMF-IDA Bolivia PRSP Joint Staff Assessment, May 10, 2001. p. 5. Result indicators (intermediate) cover rural development, road infrastructure, microfinance, education, health and basic sanitation, securing land ownership, development with identity, gender and environment.

Goals for Intermediate Indicators: Education

No. of educational centers with complete primary school/No of existing centers- RURAL
 Spending on education in schools/Total Non Financial Public Sector spending (w/ pensions)
 Spending on education in schools/Total education spending

Goals for Intermediate Indicators: Health

% of children with low birth weight
 % of pneumonias in children under one year treated in health services
 % of households with access to basic sanitation
 % of pregnant women with adequate prenatal checkups
 % of childbirths handled institutionally
 Dwellings with second cycle of spraying against Chagas disease in endemic areas

Source: Poverty Reduction Strategy Paper. PRSP. EBRD. Government of Bolivia. March ,2001.
 Intermediate indicators only for education, health and the road infrastructure.

Institutional Reform Project: a proliferation of ‘contracts’ but little results-orientation

A key objective of the IRP was to introduce results-based management to the Bolivian public administration; it financed reorganisations, recruitment, performance ‘contracts’ and management systems. However, as discussed in Chapter 2, this project did not achieve its objectives in most areas,⁸⁰ in part because it did not push for reforms in the Ministry of Finance.

The Review 2000 stated that the Institutional Reform Agreements (ARIs) – performance contracts- would help monitoring the reforms and outcomes expected of the pilot agencies. However, as the re-organisation studies were often of poor quality, the ARIs (and the strategic plans- PERIs) were not as useful as envisaged initially. It was probably unrealistic to expect that dysfunctional ministries were going to have the capacity to select and manage large consultancies effectively and avoid the politicisation of the re-engineering or recruitment processes, in absence of strong oversight controls. As a result, re-organisations studies became obsolete as Ministers were changed.⁸¹

ARIs are largely legalistic project documents, ‘contracts’ that specify detailed administrative conditions, focusing on processes, spending and salaries. Moreover, they are very time- consuming to formulate.⁸² The Education Institutional Reform Agreement (ARI) – See Box below- includes targets on: a) the number of personnel to be financed by the project, b) the formal organisational changes to be included in the strategic plan, PERI and c) institutional performance (of which 3 of the 4 indicators refer to budgetary execution). The strategic plans have also focused on administrative activities and processes, and legislation, e.g. of the 80 activities included in the road

⁸⁰ The IRP included benchmarks of performance for itself but the quality of its targets is poor. Some of the targets referred to processes (signature of ARIs) while others had little direct link with the organisational reforms proposed with the IRP (e.g. custom and taxes revenues as a percentage of the GDP). Targets have not been monitored rigorously (see chapter 3). The targets were more indicative of activities and inputs than expected outcomes, unlike the targets in the World Bank Health Sector Project.

⁸¹ IRP management stated that they have had more success with “uni-personal” consultants. However, it appears that the justice and health sector reforms are still preparing large consultancies. Quality of organisational plans varies, for example, good quality for the SNC plan- although without helping in the selection of targets. Moreover, the most successful reform, Customs –initiated earlier by the IMF and the World Bank- did not follow the Institutional Reform Project sequence of reforms (organisational study and then recruitment).

⁸² This is also a conclusion of the donor’s supervision mission p.3. Aide Memoire “la mission recomendo reorientar las funciones de la UT de generadora de ARIs a un esfuerzo mayor de apoyo y seguimiento a la implementacion de los mismos”. ARI conditionality is mostly linked to the management of the IRP project than to the strategic reform of the pilot sectors or the definition of clear performance benchmarks.

sector none is linked to outcomes or user perceptions or outcomes and only one in the indicators for the ministries of Agriculture and Housing.

The proliferation of these project related 'contracts' has not contributed to strengthen the culture of results-orientation. Instead, it has promoted a focus on administration and processes, lack of transparency and diffused accountability -with too strong a role for task managers of the donor community.

SISER:⁸³ New performance management system works only on paper

The Institutional Reform Project introduced the new evaluation system in 2001. This was expected to be a key tool for the introduction of an accountability culture in the Bolivian public administration. However, a year and a half later, the IRP donors and its management have decided not to continue the financing of the SISER. Some have argued that Bolivia is not ready for a culture of evaluations and accountability. Simultaneously, however, donors were discussing the acceleration of the second phase of the IRP.

The SISER has not been integrated into the normal government process. SISER has been implemented by the Ministry of the Presidency and has followed a project approach. No links with the IRP's re-engineering processes have been made. However, the SISER received some support from President Quiroga because it provided him with a useful political tool to publicise the achievements of his 12-month government plan.

The SISER has had some success at a technical level since it developed and implemented a sophisticated model to monitor sector targets and performance. The SISER includes the specification of targets ('Results Commitments'), monitoring, analysis and the production of management reports.

SISER has required ministries to select a small number of targets from those included in the annual operating plans. This practice has proved to be useful. However, the selection has been made in an arbitrary, ad-hoc manner, often only by a very small number of senior officials. The targets include legislation, studies and some outcomes. The monitoring covers financial execution and accomplishment of activities. For example, in 2001, 298 targets were monitored (of which 182 targets, in Ministries) while in 2002, 683 targets were monitored. Once targets are selected, the maximum authority formally signs its commitment to these targets. However, given the fact that public opinion does not know of these commitments (and the quality of the monitoring data) the impact of these commitments is poor.

The entire SISER exercise has been completed for all central administration and Departmental authorities but Ministries carry out this exercise in a perfunctory way, with little regard for the quality of the information provided. Moreover, only a small team is usually aware of this evaluation exercise, no 'cascading'. In general, the SISER has been secretive and the sector targets and performance have not been made public, only data on the 12 months President Plan and Prefecturas has been published. Impact has been poor. The lack of transparency is inconsistent with a results-orientation approach.

⁸³ SISER: Monitoring and Evaluation System for Results Based Public Management

Box 3: Performance Indicators in the Education Institutional Reform Agreement

	2001	02	03	04	05	06
<i>Administrative Career</i>						
Total personnel	625	625	308			
Personnel eligible by the IRP	0	84				
% financed by Treasury in Phase 1		20%	20%	40%	40%	70%
% financed by Studies line item (budget)	2%	2%				
% financed by Temporary staff item (budget)	4%	4%				
% personnel with training		10%				
<i>Implementation of the Strategic Plan</i>						
Approval of the organisational changes		done				
Technical council in operation		done				
% decentralised units with performance agreements				50%	100%	
% decentr.. units which have met their targets			70%	80%	80%	80%
SAFCO system rules approved		50%	100%			
Implementation of audit recommendations	33%	40%	60%	90%	100%	100%
SIGMA implementation		done				
<i>Institutional Development</i>						
% implem. of the public investment programme	68%	75%	80%	80%	90%	90%
% of schools with complete primary education,rural	83%	85%	87%	90%	92%	95%
% spending on education/total NFPS spending	13%	14%	15%	15%	15%	15%
% spending on education in schools/educ.spend.	72%	75%	77%	77%	77%	77%

Note: The ARI was signed in May 2002 by the Finance and Education Ministers and the Director of the Institutional Reform Project. Annex 4 includes the performance indicators, p. 36.

3.2 Personnel management and targets

Targets are not used in personnel management, no ‘cascading’ of targets

Targets are not linked to budget allocations and this contributes to their lack of realism. In addition, as a consequence of weaknesses in personnel management, (see Chapter 2) the targets are not linked to human resources requirements. In this context, targets are mostly perfunctory and are known to very few individuals in each ministry. Similarly, the individual operating plans (POAIs- part of the SAFCO requirements) are of poor quality and are not used for personnel evaluations, which are extremely politicised. Therefore, targets do not cascade down to the ministry’s staff or to implementing units and they don’t contribute to an effective personnel evaluation system.

Results-orientation is further constrained in Bolivia because ministries are not generally provided with operational flexibility to meet their targets. Ministries have budgets and resources only to implement activities and carry out administrative processes that have been narrowly defined by the Ministry of Finance. Budget resources are provided in an unpredictable way. Ministries achieve some flexibility but only through informal or illegal practices of budget implementation, See Chapter 2 and extensive discussion in the Review 2000. In fact, in the Bolivian context –with the political capture of public administration- operational flexibility should only be provided once central oversight (financial control, audits, budgets) has been enforced.

Education: Some ‘cascading’ of targets but the Institutional Reform Project is weakening the sector’s personnel management

Donors supporting the education sector reform have supplemented the salaries of the staff in the Vice-Ministry of Primary and Secondary Education. This contributed to a more rational pay scale within the Vice-Ministry, to a greater integration of the Vice-Ministry and to greater links between resources and sector targets - although maintaining/creating distortions outside the Vice-Ministry.

The sector programme has also supported donor recruitment and training during the 8 years of reform. As a result, the reform has contributed to provide some operational flexibility in the sector and a greater focus on outcomes and results. Moreover, some cascading of targets to senior managers has taken place. A broader cascading of targets has not taken place because the reform remains largely controlled from the centre and the decentralisation process has been slow. Also the education reform did not adopt a results-orientation framework as explicitly as the health sector did (See below).

These personnel and planning successes, however, might not be sustainable. The Treasury has been unable (or unwilling) to replace donors in financing the supplementary salaries in the Vice-Ministry as initially agreed. As a result, the Vice-Ministry has had to request financing from the Institutional Reform Project. In this case, according to the Minister, senior officials and some donors; the IRP process has resulted in the loss of trained staff and has re-introduced pay distortions in the Vice-Ministry, as only some staff in the Vice-Ministry are receiving supplementary salaries from the project.⁸⁴

Health: Some ‘cascading’ of targets

The health sector reform project has supported operational flexibility and a link between targets and resources. However, the ministry still operates a non-transparent and ad-hoc salary structure. Some staff is paid by donors (at different rates) and other staff are paid by the Treasury. The impact of these distortions is reduced somewhat by the fact that the ministry has achieved some organisational integration and planning and has incorporated donor financed project units into the line structure of the Ministry. This is a considerable achievement.

The World Bank health sector reform project has explicitly used a results-based management framework and performance agreements have been signed not only in the ministry but also at the Department level, hospitals and some municipalities. While this is obviously ambitious, there is some evidence that it is beginning to contribute to the dissemination of targets and to the culture of results. In particular, the use of certification of hospitals, the introduction of hospital quality ratings and benchmarks, and the use of public perception surveys are contributing to a greater public discussion of performance.

The use of these management tools is very innovative but the progress in meeting targets will require the introduction of more systemic reforms in personnel management (a more rational salary structure) and a better system for the verification of results. Greater operational flexibility at the local level and tackling the poor performance of the SEDES (at Department level) are also necessary. These are pre-conditions for an effective cascading of targets and responsibilities to middle and junior managers and to implementing units. Only then could targets become realistic indicators of individual performance.

⁸⁴ Ministry officials argued that the IRP applied conditions too rigidly and did not want to learn from successful experiences. The Ministry of Education was compelled to be part of the IRP because donors did not want to continue the financing of staff salaries. The Ministry of Finance had not complied with its obligation to gradually fund the salaries in the Ministry of Education. As discussed the IRP also requires a similar commitment from the Ministry of Finance.

Further progress also requires donors to move towards co-financing the health sector reform. The incorporation of the sector to the Institutional Reform Project, while financially advantageous to some staff, is likely to weaken the progress of the reform (See above).

IRP and SISER: Poor contribution to the ‘cascading’ of targets

The IRP should have ensured that sector targets be realistic and that they are ‘owned’ by middle and junior managers through the following: a fundamental budget reform, organisational and personnel reforms in pilot agencies and the implementation of a national evaluation system (SISER). However, the project left the budget process untouched, introduced generally poor organisational and personnel reforms and a weak national evaluation system. The lack of a uniform salary structure and of a credible model for an administrative career also created significant problems. As a result, the project has contributed little so far in connecting agency targets to individual performance while it has maintained the clientelistic nature of Bolivian public administration. However, agencies that have maintained a control of their reform process have made some progress. For example, Customs is in the process of setting realistic targets at an individual level.

The IRP was intended to address personnel problems in pilot agencies through the financing of supplementary salaries for five years. However, this has not been done in a consistent manner as a uniform and transparent pay scale has not been introduced across the civil service. The unit for personnel administration (SNAP) was politicised and weakened. The organisational reforms and agreements have not provided a structure for career advancement or incentives,⁸⁵ recruitment has been expensive (about USD 1000 per post) and retention low.⁸⁶ The IRP has introduced incentives for staff to compete to win posts and then to win other competitions in other agencies (with higher salaries). However, there are no incentives for staff to actually perform well in their jobs or to achieve their agencies’ targets. Instead, it has created incentives for agencies to become pilots of the project and to follow, sometimes without asking questions, the administrative requirements imposed by the IRP management.

Since most of the IRP resources are spent on paying the additional salaries of pilot agency staff, one would have expected a close monitoring of the recruitment process. The project decision to subject all staff to competition was radical and risky,⁸⁷ as its success depended on the quality and transparency of the recruitment process. Moreover, the IRP naively assumed that the patronage in recruitment would be eliminated by the use of private recruitment companies.

In practice, the quality of recruitment has been extremely variable and has been subject to numerous complaints. Generally the monitoring of the recruitment processes has been poor. In interviews, the Superintendent noted the non-transparent and poor quality of some recruitment processes (e.g. Social Funds and Housing) as well as the good quality of processes in Agriculture and Customs. Moreover, often, private recruitment companies made no effort to satisfy the special requirements of the public sector.

Organisational and recruitment reforms supported by the IRP have not been linked to the evaluation system. SISER targets have not cascaded down. While SISER staff maintains that some cascading has taken place - because of the support of President Quiroga- our interviews found very little

⁸⁵ In fact, once staff is recruited through the IRP, their salary is frozen for a 3-year period. Some changes, however, appear to have been introduced in the SNC pay scale.

⁸⁶ Information provided by the Superintendent.

⁸⁷ Staff with 5-7 years seniority is, theoretically, entitled to keep their posts.

evidence that the SISER exercise had any impact beyond its own internal ‘management’ units.⁸⁸ The ‘performance contracts’ signed by Ministers also had little impact. The SISER’s secretiveness has contributed to its limited impact. Publication has only been carried out for political purposes.⁸⁹ This has probably made it more difficult to implement SISER in a technical and impartial way and it may have had a negative impact for the implementation of impartial performance management systems in the future.

⁸⁸ Often the Unidad de Gestion de Reforma (UGR) with financing from the Institutional Reform Project.

⁸⁹ A trigger indicator for Phase 2 of the IRP was that “performance evaluation system functioning indicated by publication of annual National Evaluation Reports”. This has not been done, notwithstanding, the internal assessment. “Documento de Revision”, February 2002. Berglof, Cinton, Medina y Reyes.

Chapter 4: Factors Affecting the Performance of Results-Based Management

This chapter summarises the institutional factors that have made it difficult to introduce results-based management in the Bolivian public sector. The chapter concludes that only a few sectors have shown progress in internal monitoring of results, e.g. education and health. Moreover, the systems for independent verification of results are generally weak: internal audits, Audit Office, Parliament, etc. In a few municipalities, the Law of Popular Participation has allowed a greater feedback from citizen's groups. The recent Law of the Dialogue 2000 should allow for greater input from citizens in the monitoring of HIPC II resources and the implementation of the PRSP.

4.1 Institutional factors

*Results-based public expenditure in a patronage-driven environment*⁹⁰

Bolivian governments have considered results based management systems since at least the SAFCO law of 1990. However, 12 years later relatively little has been achieved and

'Bolivia's government structure offers strong incentives for building and maintaining a coalition of political parties, which have become the primary mechanism through which public jobs, budget allocations, etc. are traded. Herein lies one of the primary obstacles to successful implementation of public sector management reform along the lines set out by SAFCO.'

Given the difficulties in implementing a results based management, the Institutional Review 2000 recommended:

- Transparent de-politicisation of public sector personnel management
- Strengthening of central oversight capacity, including budgets, financial controls and personnel management
- Use of 'citizen voice' as a way to exercise social control over public administration
- Learning from the experience of giving autonomy to the regulatory agencies

Unfortunately, the implementation of the Institutional Reform Project mostly ignored these recommendations (See Chapter 2). As a result, while there has been some progress in agencies with capable independent directors (Customs, Civil Service Superintendency) but the IRP has not contributed to build a more results-based public administration. Even technical progress has been modest, e.g. progress in setting and monitoring targets has been generally poor.

The following are some of the institutional factors that have made it difficult to introduce results-based management in the Bolivian public sector:

Disputed agendas

The public sector operates in an environment where

⁹⁰ This is the heading of a section of the IGR World Bank 2000. Vol 2, p. 33.

‘most ministries are divided among several political parties, resulting in situations where different Vice-Ministries or even General Directorates within the same Ministry may be following different programmatic priorities according to their political/regional affiliation’.⁹¹

Disputed agendas and disagreements on priorities within the government have made it impossible to use a results-based approach. Unfortunately, the management of the Institutional Reform Project itself was not able to escape the patronage logic and most of its activities were carried-out without wider consultations and with little transparency.

No transparent de-politicisation.

The ‘project’ and ‘donor-driven’ implementation of the IRP has contributed to ‘parallel’ and unaccountable structures and activities. The project has often imposed decisions on sector ministries. Its poor transparency has not contributed to the de-politicisation of civil service reforms. However, the recently created Civil Service Superintendency is beginning to exercise a more effective supervision (See Section 1.3).

No central oversight.

The Institutional Review concluded that in the absence of strong oversight controls the SAFCO law facilitated ‘informality’. However, the implementation of the Institutional Reform Project neglected its duty to support central oversight capacities for the budget, financial controls, personnel management. This is contrary to the project appraisal. Consequently, the ‘informality’ of these systems persisted and deteriorated further. The project appraisal focused on the importance of budgetary reforms but the critical reforms of the Ministry of Finance were quickly abandoned. The appraisal also discussed the importance of adopting a uniform and rational pay scale, but the Ministry of Finance did not carry out this work. Moreover, organisational and recruitment has been carried out without a strong oversight.⁹² Consequently, dysfunctional staffing and salaries remain a problem. See section 3.2 on how the project is re-introducing problems in the education sector personnel management.

The government has reported recent progress in the systems of integrated financial management adopted in the public sector. In our visit, we found variable progress in the implementation of the 8 SAFCO systems. However, these formal changes are unlikely to result in changes in actual behaviour in the context of poor internal audits and controls (Section 3.2) and in the absence of a strong central oversight for compliance, Ministry of Finance or Audit Office, Section 3.3. Enforcement of sanctions is also difficult due to the corruption of the judicial system.

Poor transparency of the Institutional Reform Project and no feedback from civil society

The project implementation has been isolated both from ‘normal’ government structures and from civil society. It has been managed in a secretive way and with little transparency e.g. its activities are not known to the public, its internal pay scales are opaque and most of its annual operational plans have not been published. This has been particularly problematic for a project that was supposed to be the main pillar of the government’s anti-corruption plan, the National Integrity Plan.

While the IRP was expected to receive a significant input from civil society, in practice, it had very little interaction with public opinion. This is contrary to the IRP appraisal that provided for a strong role of a

⁹¹ IGR World Bank 2000. Vol. 2, p. 35.

⁹² As noted, the first year of the Banzer administration politicised the institution in charge of personnel administration (SNAP). The Civil Service Superintendency has received little support and has noted the weaknesses of the recruitment processes.

national committee, consultative groups from civil society⁹³ and a citizen's information campaign. However, once the project was approved, the Committee did not play any role in its implementation. The project was managed by 'consultants' reporting to the Vice-President and was supervised by a small group of donors. However, the PRSP process and the Law of Dialogue 2000 are introducing new ways to use citizen voice in monitoring public expenditure.

Some reform successes but problems of sustainability.

By contrast, sector reforms that have been supported consistently by political consensus and by donors appear to have strengthened results-based management even in the Bolivian' patronage driven environment. In particular, Customs has followed the model of the 'autonomous' regulatory agencies with a very strong internal management. The road sector (SNC) is also following the 'autonomous' model (even though the Institutional Review warned that this model would not work in the road sector). While sector reforms in education and health have achieved some progress, their sustainability, including financial, is uncertain given the absence of wider reforms on the budget process, financial controls and personnel management. For example, recent developments have shown the vulnerability of the achievements in education given the inability of the Treasury to begin to finance the salaries of staff in the ministry of education (Section 2.2).

Role of donors in results-orientation

Donors have played a very large role on all aspects of the introduction of results-orientation. However, the project approach has not worked. It has contributed to the fragmentation of government ministries, the creation of 'donor-specific' parallel structures and distorting pays scales. This also applies to the performance of the Institutional Reform Project or the support to SIGMA. The strategies of these projects have not been comprehensive and have focused on activities rather than on outcomes. Moreover, donors have supervised these projects directly, with little feedback from civil society.

Sector support has had more success in strengthening results-orientation, e.g. education. However, as noted, sustainability is weak. The Health reform project has introduced important results-based tools but it is important that the sector moves towards a sector programme. Donors have not used much budget support because of the poor quality of the budget process. However, unfortunately, this has allowed them to ignore precisely the systemic issues that frustrate their interventions at a project and sector level, e.g. budget, financial controls, uniform pay scale, enforced sanctions for corruption, etc. Therefore, there is a case for providing budget support strictly conditional on performance targets on budgetary reforms and oversight controls.

Donors have failed to understand the pervasive nature of the patronage system in Bolivia. Given donors' short institutional memory, they have often believed that changes in governments or individuals would result in systemic changes. Donors have focused on personalities rather than on the incentives prevailing in the political system and the monitoring of outcomes. This explains in part the failure of the Institutional Reform Project.⁹⁴

⁹³ The Project Coordinating Unit was to report to the CNI which was "chaired by the Vice-President and include in addition to key government ministers, representatives from the Senate, a delegate of the House of Representatives, a delegate from the Supreme Court, the Comptroller General of the Republic, the Attorney General, and representative of the Judicial Counsel". IRP Project Appraisal Document, 1999. p. 13. The Committee (CNI) was "expected to play a key role in critical policy decision relating to IRP implementation, review and approval of ARI's, and oversight of implementation of horizontal project components. It will serve as a focal point for state reform, ensuring that other programs and projects under the supervision of the government support the policy guidelines of the NIP".

⁹⁴ Some donors noted that only the IGR 2000 taught them how the civil service reform is so interlinked to the incentives of the political system.

Nevertheless, in a number of cases donors have contributed positively towards a more results-based public administration, e.g. support to reforms in Customs, the creation of the Civil Service Superintendency and support to the Ombudsman. Donors also played a positive role in the context of the Dialogue 2000 and the PRSP process.

4.2 Internal monitoring and verification of results

Poor internal monitoring of results⁹⁵

In Bolivia the use of targets is weak. However, the systems for monitoring and internal verification of results are even weaker. Monitoring systems are not used in the budget process. Ministries' management information systems are generally poor. More generally, the politicisation of the public sector and its lack of accountability are inconsistent with an impartial monitoring system. Performance benchmarking has not been implemented, except in Health.

Education: some monitoring systems but reliability is an issue

The education sector has adopted a sector wide programme, with donor financing of all Vice-Ministry posts, and as a result performance management is stronger than in other ministries. Monitoring reports on quarterly progress on each unit's operational plans (mostly activities) is provided. This is complemented with some quality information on achievements and difficulties in each programme.⁹⁶ However, the quality control of the monitoring system is weak and qualitative information is not used to improve effectiveness.

Donors' joint monitoring is quantitative oriented and includes weighting according to time and resources. However, the donors' supervision missions recommend that this should be complemented with qualitative studies and a system of quality control based on school performance. Otherwise, an excessively positive performance might be reported, e.g. the 2001 evaluation reports that 72% of the new curriculum for primary school students has been implemented. The financial management of the education programme has also been weak in the past, and in the last two years it has been monitored by GTZ.⁹⁷

The education information system (SIE) is not sufficiently integrated in the Vice-Ministry. Other units maintain and analyse their own information. The system does not have enough elements to ensure the reliability of the information. In spite of this, the SIE has been the basis for setting a number of PRSP targets. The progress reported by the SIE, based on districts information, is often not supported by SIMECAL, information on education quality, including indicators of school achievement based on exams. A difference of 10-25% between the SIE and the SIMECAL exists. The national evaluations in 1999 and 2000 showed that only 20% or less of the 3rd primary year students achieved competence in language and mathematics. The Ministry has not published some of the SIMECAL results and has sometimes questioned the validity of its findings. SIMECAL evaluations have not been carried out in 2002. This provides an indication of the difficulty of introducing independent monitoring systems in a very politicised environment.

⁹⁵ The relative success of programme implementation by ministries or by private sector/NGOs is not discussed. Most of the implementation is carried out by the public sector.

⁹⁶ Information on physical and financial execution is estimated and reported monthly to the SISIS system of the Vice-Ministry of Public Investment and Foreign Financing..

⁹⁷ The ministry of education has two different internal financial administration systems, one for the VEIPS and another for the rest of the ministry.

Health is reinforcing its monitoring systems

The annual operating plans in the health sector have become an important planning tool. The sector monitors its targets in a decentralized manner; the system was re-launched in 1997. Information flows from the districts, to the department level –SEDES– and finally to the ministry. The system includes the commitment of SEDES to achieving targets as well as a performance measurement system, part of the national health information system, SNIS.

Financial monitoring has improved with the implementation of SIGMA, a new system of management information (WINSIG) and the piloting in 25 hospitals of an integrated financial management system (SIAF). However, it is both necessary to avoid a duplication of systems and to ensure that financial systems include the entire health system.

Monitoring systems have been developed partly as a result of the World Bank's project focus on results-orientation. The project reported that it exceeded all of its performance targets. Nevertheless, there is a need to strengthen the reliability of the underlying data. This is recognised by the project and its second phase includes the implementation of a system of quality control, to verify results and to ensure a greater reliability of monthly and annual reports. This system will take advantage of the modern automatic system recently introduced. These changes are important because of the weak monitoring carried out by municipalities. However, this will add work to the local information analysis committees. The health sector will also have two additional systems to verify results: the SINAVIS and ENSA.⁹⁸ The SINAVIS provides information on the risk factors of diseases and it is beginning to be of great use. ENSA – to be carried out every 4 years- is being designed as an instrument to validate the information collected by other sources.

Use of hospital performance tables and surveys

The results-based framework in the health sector includes a system to evaluate service standards in hospitals and the use of beneficiary surveys. The results are published bi-monthly and are intended to encourage public participation. 49 hospitals have been subject to user surveys and other establishments have been certified to meet minimum standards of quality. These processes have introduced some transparency and competition in the health sector. Also a resolution on 'Patients Rights' has been signed, in coordination with the Ombudsman. The second phase of the World Bank project includes support for the system to certify health establishments and for medical audits.

Progress in justice reforms based on close monitoring

The World Bank and other donors have had difficulty in supporting reforms in the Justice sector. While a number of diagnostic studies have been carried out, little has been actually implemented. However, USAID reports considerable progress in the implementation of Criminal Justice reforms and the democratisation of justice. This is based on a programme that was extensively consulted with civil society, a sustained donor focus and a very intense monitoring of activities and results. There have been a number of surveys of justice operators that reportedly show that the initial resistance to reform has been significantly reduced. The time needed for processing cases has been reduced as well. The monitoring of the reforms is carried out regularly by the University of Pittsburgh and a local consultancy firm.

⁹⁸ National System of Public Health Vigilance (SINAVIS) and Demography and Health National Survey (ENSA)

Difficulties in monitoring PRSP implementation

The PRSP has not affected the formulation of annual operating plans or the budget but it has contributed to define a framework for the use of HIPC II resources and the operation of the Social Funds. The National Dialogue emphasised the importance of monitoring and the verification of results, given the weakness of government institutions and their inability to fulfil this role. Consequently, the PRSP introduced a number of ways to strengthen monitoring. Nevertheless, the World Bank and IMF Review of the PRSP stated that the monitoring mechanisms in the PRSP are still weak, particularly at a district level.⁹⁹ This Review expected that the new evaluation system (SISER) would contribute positively to the monitoring of the PRSP. This is not happening.¹⁰⁰

The Law of National Dialogue 2000 created a committee for the monitoring and evaluation of the PRSP (CISEE)¹⁰¹ but this committee lacks political authority to push for more effective implementation and monitoring.¹⁰² The PRSP has a weak implementation structure and lacks a government ‘champion’ for implementation, e.g. to instruct ministries that the PRSP principles should be included in the budget process and in sector plans.

The government intends to strengthen the verification of results in the PRSP by reinforcing existing tools such as the Integrated Survey of Households, MECOVI and the information available in the Fiscal Programming Unit (budget execution). The information on budget execution in health and education comes from ministries, departments, social funds and municipalities but is often of poor quality and only covers about a third of the municipalities in the country. This information does not include any results indicators.

The PRSP will be implemented mostly at municipal level, precisely where monitoring is particularly problematic since municipalities have a low capacity to manage information.¹⁰³ (Note that even at the central level, budget classification does not allow to match the categories of pro-poor expenditure). The government hopes that this situation will improve in large municipalities with the introduction of the integrated financial management, SIGMA. Similarly, a government unit has carried out consultations with 50 municipalities to identify indicators to evaluate the PRSP and many indicators have been identified.¹⁰⁴ However, consultations with other ministries have not begun yet and the cost of monitoring indicators has not been taken into account. Finally, the National Institute of Statistics (INE) has also recently identified and prioritised 19 municipal indicators, 13 of which it thinks can collect information through the municipal level- household surveys.

The PRSP has not focused on the use of beneficiary surveys and in identifying indicators that are seen as useful to the public. However, this is being considered by the Mechanism of Social Control, see below.

⁹⁹ The staffs note with concern that the action plan presented in Annex VI for 2001-2003 does not lay out a program of technical work needed to assure that adequate monitoring of the program will be carried out”. IMF-IDA Bolivia PRSP Joint Staff Assessment, May 10, 2001 p. 6.

¹⁰⁰ See discussion on SISER and note that IRP donors have recently stopped their financing of the SISER. Note also that the new Social Funds should contribute to a better monitoring of results. However, progress so far has been poor.

¹⁰¹ The Inter-institutional Committee for Monitoring and Evaluation (CISEE) includes UDAPE (policy analyst unit in the MoF, INE and the Vice-Ministerio de Planeacion Estrategica y Participacion Popular.

¹⁰² PNUD-DFID studies and municipal workshops have proposed the modification of the Law del Dialogo to allow 0.05% of HIPC resources be devoted to generate information for the monitoring of the strategy. UDAPE is publishing in the web the progress reports on the PRSP.

¹⁰³ The INE has suggested household surveys at municipal level but there is no financing (cost is about 2 million USD)

¹⁰⁴ Vice-Ministry of Strategic Planning and Popular Participation.

Institutional Reform Project: poor verification of results and transparency

The IRP appraisal emphasized the importance of monitoring, the verification of results and transparency. However, project implementation has been weak in all of these areas. Recently the project has stopped financing the national evaluation system (SISER).

The IRP has been managed with poor transparency. The project was not closely monitored (as planned) by an inter-institutional committee but only by a committee of donors. As a result, even on its own assessment and with adjusted targets, it met only 3 of its 6 performance targets¹⁰⁵ and yet it presented itself as a successful intervention. For example, a target for the project was the number of pilot agencies that had been evaluated as satisfactory according to the provisions of the institutional reform agreements. But no evaluations were carried out, only self-assessments of 2 pilot agencies. The project did not develop a methodology to carry out evaluations, as requested by donors' supervision missions.

The project also reported that the trigger target¹⁰⁶ 'performance evaluation system functioning indicated by publication of annual National Evaluation Reports' was fulfilled in 2001. However, the evaluation system, SISER, has not made public any systematic information on ministries or sectors. (Only newspaper pamphlets on the 12 months presidential plan and on Regions have been published).

The IRP has introduced a costly system of 'contracts' linked mostly to administration, activities and processes. However, the monitoring of these processes has been ad-hoc and the IRP supported restructuring processes have not given a focus to information systems, internal or external monitoring or customers.¹⁰⁷ While SIGMA (with IRP financial support) is responsible for improving accountability and internal controls, this is unlikely to be achieved in the absence of central oversight and sanctions for non-compliance.

The IRP has focused on formal changes and has not had contacts with civil society; even its modest citizen's information campaign was not implemented. As a result, it has contributed little to a better independent verification of results.

New evaluation system SISER: poor reliability

The Institutional Reform Project was to contribute to improve service delivery and transparency through the introduction of a national evaluation system (SISER). This would be a self-evaluation instrument and would identify low performance and trigger corrective measures. The system was to be supplemented by system analysis, cost-effectiveness appraisal and cost-benefit analysis.

The SISER has been completed for all agencies but it is not based on reliable data, it uses information without quality controls. The SISER exercise is often seen as an unnecessary requirement from the centre and mostly useful for political objectives. This is unfortunate because the technical work of the SISER unit appears to have been of good quality. The SISER exercise was not given priority even in IRP agency's pilots and there has been poor coordination between IRP and SISER managements.

¹⁰⁵ Including targets on processes (signature of ARIs), outcomes on which there is little link with the IRP reforms such as taxes and customs revenues as a percentage of the GDP.

¹⁰⁶ The project appraisal identifies 7 trigger indicators to move to Phase 2 (p.11). However, in the Documento de Revision February 2002, 12 indicators are identified. It projects (without much explanation) that 9 of these indicators will be met by the end of 2002.

¹⁰⁷ Focus on these areas has sometimes been given by initiative of the agency head (e.g. Customs).

4.4 Independent verification of results

Given the party ‘capture’ of the public sector, independent monitoring is particularly important. However, neither the Audit Office nor the Parliament effectively provide for effective independent monitoring. There are expectations that the new Mechanism of Social Control could contribute positively in this area.

Audit Office has technical capacity but little authority for enforcement

The SAFCO law establishes that internal and external controls should support results-orientation and not only administrative efficiency. However, there has been little progress in this area. Internal auditing is weak and politicised. The Audit Office (Contraloría General de la República) audits and produces reports on their enforcement.¹⁰⁸ The 2001 annual Audit report found that Internal Audit Units do not have operational manuals, do not comply with government norms for audits and do not have job stability. Moreover, 9 reports have also found indications of irregularities. Recent Audit reports also found severe problems in the Internal Audit Units of the Education and Health ministries,¹⁰⁹ in recruitment, equipment, following plans and rules, evaluation. Note that these are the ministries with the most advanced reform programmes.

The Audit Office carries out important technical work¹¹⁰ but it does not have the authority to enforce its recommendations or work with other government units to sanction irregularities. It presents its findings and recommendations to the relevant government department and often monitors the implementation of its recommendations. However, it cannot do anything if its recommendations are ignored. Reports are also submitted to Parliament but no action is taken, see below. The corruption of the Judiciary system prevents the prosecution of irregularities.

While the Audit Office enjoys some autonomy,¹¹¹ and has a competitive recruitment process, it does not have enough resources to audit the entire public sector.¹¹² Given these constraints, this institution requires developing a greater strategic focus. The Audit Office generally does not carry out value-for-money or results audits as required by the SAFCO law. These audits could be an important tool to support results-based frameworks. Instead, the Audit Office carries out many operational audits that are focused on administrative processes. It also performs a number of financial and special audits (on financial irregularities) and follow-ups. The Institutional Reform Project has supported the training of 80 forensic auditors, but sustainability of this component is weak.¹¹³

The Audit Office is considered a secretive institution and has little contact with civil society.¹¹⁴ The dissemination and public awareness of its work is limited. As a result, the Audit Office’s impact on reducing corruption and increasing the results-orientation of the public sector is low.

¹⁰⁸ In 2001, 37 Evaluations of the Internal Audit Units were produced –and 49 monitoring of implementations– (also 58 of financial audits, 58 operational audits (of which 47 on the SAFCO laws), 273 special audits (of which 116 found civil responsibility for about 11 million USD), 5 environmental audits, 43 evaluation of legal units, 347 of monitoring and 10 on information (relevamiento de información).

¹⁰⁹ Report on the Health ministry is IX/UP09/A02 U1 published on 19/06/2002, report on education ministry is IX/UP21/Y02 U1 published on 12/07/2002 see <http://www.cgr.gov.bo/>

¹¹⁰ The technical quality of its work has resulted in a ISO 9001 certification.

¹¹¹ The head of the CGR is elected by two thirds of the members of the Congress for 10 years.

¹¹² As of Dec 2001 it had a staff of 480, 71% professionals and a budget of 50 million bolivianos.

¹¹³ The IRP supported the implementation of the declaration of assets by all public employees. Previously, the requirement was applied to senior officials. The declaration of assets for some employees could be found in the web (including the previous president Jorge Quiroga Ramirez) (<http://www.cgr.gov.bo/>). However, the information appears incomplete, particularly, in ministries such as health and education.

¹¹⁴ “Ironically, the CGR is one of the most secretive and unresponsive of Bolivia’s notoriously guarded public agencies”, IGR World Bank 2000, Vol. 2. p. 30.

Parliament scrutiny does not take place

In the last few years, the Bolivian parliament has made some progress in improving the quality of its legislative process and its own internal administrative and information systems with support from the PRONAGOB project. However, Congress remains a largely unaccountable and non-transparent institution.¹¹⁵

The Bolivian political system has not made it possible for the parliament to scrutinize effectively the executive branch.¹¹⁶ While in theory, the Congress has a supervisory role to fulfil and powers to request reports to the executive or the parliamentary presence of a Minister; in practice these tools are only used for political party needs and interests or to avoid a judicial process. The lack of technical capacity also makes it difficult to supervise the government and the budget. Few members of the parliamentary budget committee understand the complexity and weaknesses of the budget. These factors contribute to explain why the Congress does not process, let alone act on, the Audit Office reports. The Congress plays no role in pressuring for sanctions of irregularities.

Bolivian citizens do not generally interact with Congress. Some specific complaints are brought to the Human Rights as well as to the Decentralization and Popular Participation Committees. Social organisations and the Local Oversight Groups can request the supervision of the executive and municipal councils by the Decentralisation Committee, for example, by requesting a special report from the Audit Office and, if necessary, additional reports from Majors and Council Presidents. However, in practice, most Majors and Council Presidents refuse to reply to these requests.¹¹⁷ Audit reports do not include names and no sanctions are enforced.

The recent election has changed some of the structures of the Bolivian political system and this might strengthen the role of the opposition and the links of the Congress and civil society.

Innovative forms of social control of public expenditure and the positive role of the PRSP

Bolivia offers important experiences in the use of citizen voice to monitor public expenditure. The previous Sanchez de Losada administration established modalities for civil society's participation and control of public expenditure, particularly with the Local Oversight Groups. The Banzer-Quiroga government initially emphasised citizens' participation in the National Integrity Plan (and the IRP). However, civil society participation in these areas was marginalized and the civil service reform was carried out without any consultation with civil society. Finally, after strong civil society pressure, the government allocated resources to municipalities and accepted the need to monitor the use of HIPC II resources by creating new mechanisms of social control with civil society participation.

The Political Capture of Social Control at a local level

Some of the PRSP initiatives underestimate the weaknesses of the Local Oversight Groups and their capacity and willingness to participate in the decision-making process.¹¹⁸ It has been noted that decentralisation often resulted in the capture by narrow political interest of the decision-making

¹¹⁵ Audit systems do not exist and donors often provide support to Congress without sufficient accountability controls.

¹¹⁶ The nature of the elections to Congress also makes the links with civil society looser (see IGR World Bank 2000. Vol. 1. pp. 46-49) while provides power to political party's chiefs.

¹¹⁷ Mayors produced reports in 58% of the cases (67 replies of 116 requests) while Council Presidents only produced reports on 16% of the cases (18 replies of 115 requests). Data for 2000/01 fiscal year.

¹¹⁸ See studies carried out for the IGR 2000. Interviews for this study showed a mixed and variable performance of the Local Oversight Groups.

process at a local level.¹¹⁹ The Local Oversight Groups often negotiate politically (as in the ‘cuoteo’ at national level) the mandatory approval of the budgetary plans. In this process, the LOG takes into account private or party interests rather than the interests of the local civil society, which is usually excluded from these processes. The LOG has no independence to exercise social control and little accountability towards the rest of the members of civil society. Its technical capacity is also generally low. However, LOG performance is generally better in small villages with well-organised social groups. In these cases, the monitoring of targets and results is often not a technical process but part of a strategy that includes using extreme measures to influence municipal authorities, e.g. including hunger strikes, etc.

The new municipal law introduces some changes in an attempt to improve the accountability of the LOG. These changes include: the creation of special funds for social control, the creation of local consultative committees (to ‘advise’ the LOG) and technical support from specialised government units and NGOs (on poverty issues). However, the patronage nature of local politics will probably require more significant changes, e.g. even changes in the electoral laws.

Citizen participation in social control is difficult because it offers few immediate material gains compared to what can be attained from the patronage of political parties and municipal authorities. Moreover, citizens have specific demands for actions to increase their incomes and productivity. Broader participation will require that citizens’ perceive that they need to become an essential part of the decision-making at a local level and of a participative municipal management.¹²⁰

The new ‘Mechanism of Social Control’

The Law of Dialogue 2000 created the Mechanism of Social Control at a Departmental and national level. The law also provided for the participation of the Mechanism in the boards of the Social Funds and National Institute of Statistics. The Mechanism is still in its initial stage, building its democratic structures and defining proper interaction vis-à-vis government departments. It wants to implement its own agenda. Its success will depend on effective coordination of the support provided by the Church (Pastoral Social de la Iglesia), NGO experts and grass roots organisations.

The government bureaucracy is also in the process of learning how to interact with civil society. The members of the Mechanism do not receive any pay for their work. The Mechanism is currently negotiating to obtain some information regularly from the government. It is also working in the identification of indicators at municipal level, indicators of social participation and the collection of social information.¹²¹ The Mechanism aims to make the social control and monitoring process as relevant, transparent and useful to the public as possible in order to encourage wider public participation.

¹¹⁹ There has been criticism to the fact that independent candidates can’t participate in municipal elections.

¹²⁰ “Participation without mediation” was a demand from Foro Jubileo 2000 and the Dialogue. A participative model is being piloted in 100 municipalities.

¹²¹ The Mechanism recognised the support played by a large IMF mission in supporting this work.

Chapter 5: Lessons for Other Countries

This study reviews the Bolivian experience in the implementation of a result-based public expenditure management system. While progress has been slow, the Bolivian experience offers important lessons because: a) Bolivia legislated in 1990 to promote results-orientation, b) there is an excellent study of the political and institutional environment in Bolivia (the Institutional Governance Review) c) Bolivia is implementing an ambitious public sector modernisation project (and also a health reform project) that follows a results-based framework, and d) Bolivia is pioneering institutions for consultation and vigilance of public expenditure that use ‘citizen voice’.

1. Results-orientation in a patronage environment requires strong political consensus, it cannot be implemented as a donor ‘project’

Results-orientation requires strong central oversight functions, e.g. personnel, budget, financial control, etc. This reduces the sources of patronage resources and affects the logic of the political system. Reforms, therefore, cannot be advanced by trying to identify ‘modernizers’ in the government but by understanding the structure of incentives in the political system. Supporting political dialogue, while rigorously monitoring central oversight capacities, has an important role to play. Reforms achieved by providing autonomy to agencies (e.g. regulators and Customs) are not a suitable model to apply to the core central administration.

2. Results-based public expenditure management requires minimally effective personnel management and budget systems

It is easier to focus reforms on individual departments, especially when donor funding is available. However, these reforms are unsustainable without a parallel improvement of budget systems, financial controls and personnel management. Service delivery depends on the performance of a chain of agencies at the centre (e.g. Ministry of Finance) as well as at local level, Departments and Municipalities. ‘Islands of excellence’ reforms can’t achieve these systemic changes.¹²² The Institutional Reform Project, with its project approach and parallel implementing structures, was unable to focus on the Ministry of Finance, the Audit Office or the Civil Service Superintendency,¹²³ which are the key institutions to ensure the sustainability of reforms. Instead, donors should explore the use of budget support with stringent performance targets on budget and financial control reforms.

3. Results-oriented reforms should be located ‘in the government’ rather than in ‘parallel’ structures

The coordination of policies in different areas involving diverse actors requires that the reform process be placed within government structures and with clear accountability lines and transparency. By contrast, the recent Institutional Reform Project has been managed by ‘consultants’, placed outside ‘normal’ government structures. These consultants supervised, and sometimes instructed, ministries and even the Civil Service Superintendency. Their management has not been accountable to ‘normal’ government structures or institutional bodies, as initially planned, but only to a small technical committee of donors.

¹²² This is one of the reasons why the project approach is being phased-out world-wide.

¹²³ It is important that the supervision of the civil service is extended to cover prefectures and municipalities.

4. Public sector reform programmes need to be transparent and accountable and use ‘citizen voice’. The same applies to monitoring and evaluation institutions, e.g. Audit Office, SISER

The politicisation of the public administration is a sensitive issue in Bolivia as there are strong interests backing it. Any success in de-politicisation requires transparency as well as the open participation of political parties, civil society groups and the private sector. This approach was successfully implemented in the preparation of the PRSP and resulted in important legislation leading to a greater role of civil society in monitoring public expenditure execution. By contrast, the implementation of the Institutional Reform Project or the new evaluation system has been carried out with poor transparency and without allowing any participation of civil society. The impact of the Audit Office is also limited by its isolation from the public.

5. Donors are more effective in supporting results-based systems when they help to strengthen the ‘voice’ of civil society than when they replace it

Donors in Bolivia have often supported results-orientation by persuading the government to consult with civil society and to use citizen voice to improve the monitoring of public expenditure, as in the PRSP process. Donors have also supported institutions that strengthen civil society, e.g. the Ombudsman, and lobbied for the consensual selection of key agency posts, e.g. Customs, Civil Service Superintendency. However, the donor record has been poor when donors have replaced civil society, e.g. in the supervision of the Institutional Reform Project.

6. The formal introduction of results-based tools (e.g. SAFCO law and targets and performance measurement) is relatively easy. However, ‘reforming agencies’ need to demonstrate their compliance with a minimum set of internal rules and be subject to a strong oversight from central bodies

Bolivian public administration operates mostly in an ‘informal’ (or even illegal) manner. As such, the SAFCO law has probably increased rather than decreased the available opportunities for corruption, e.g. operational decentralisation in the absence of strong central controls. Similarly the impact of the recent introduction of an integrated (and complex) management system –SIGMA- has been limited by the absence of a strong enforcement and sanction mechanism. It has, however, provided donors with confidence that improvements are being made. While the Audit Office regularly identifies the weaknesses of internal controls and corruption cases, sanctions are rarely imposed.

The Bolivian system can cope well with formal changes that do not actually reduce patronage resources, as is the case in most of the activities of the Institutional Reform Project- reengineering, proliferation of ‘contracts’, recruitment consultancies. But, strengthening the capacity of the centre to enforce norms and foster a culture of transparency and accountability is very difficult, e.g. the recently introduced evaluation system (SISER) became mostly a formal (and politicised) perfunctory exercise with little impact on transparency or accountability. It is important that the PRSP is not implemented also in a ‘perfunctory’ way.

7. Donors need to monitor actual compliance and outcomes rather than formal changes

In the Bolivian context, it is important that donors supporting public sector reform do not focus on formal changes or technical details. They should focus on implementation and actual behaviour, even if this is much more difficult to monitor. Otherwise, it is likely that even projects to reduce patronage and corruption are captured by narrow party political interests. Donors have already experienced some success with an approach that focuses on outcomes and careful monitoring, e.g. health sector reform project -World Bank and support to Criminal Justice reforms-USAID.

8. The setting of targets should be better integrated with the budget process, personnel management and organisational reforms. Targets should be set in consultation with service providers and users

Targets have been set only as a part of required formal processes, e.g. annual operational plans, evaluation system-SISER) but they are not ‘owned’ by government agencies and are not used in the allocation of budget resources or in the evaluation of personnel. As such, targets are only perfunctory exercises, selected arbitrarily by a small team or senior officials do not cascade to most of the ministry’s staff. Moreover, targets are not central to the restructuring processes supported by the Institutional Reform Project. Finally and most importantly, most targets are not communicated to the public or to service users. All these factors explain the low impact of the use of targets in Bolivia, e.g. but see the greater impact of health sector targets.

9. Some sectors have introduced important results-based tools, e.g. health, however, greater attention should be given to the accuracy of the reporting systems

The *health sector reform* project has made significant progress in introducing a results-based framework. A greater focus on customers has been attained through the use of surveys and the introduction of standards and performance leagues. The project has also reported significant progress in its benchmark indicators. However, taking into account recent experiences in developed countries, much more attention should be given to ensure the reliability of data information systems. Results-based frameworks often create incentives for local agencies to distort their reporting to the centre. Of course, this is an even more serious problem in the context of a public sector ‘captured’ by political party interests. This lesson also applies to the recently introduced *evaluation system*, SISER, which reports performance based on government’s data. Little consideration is given to the quality of this information, relating to financial execution and physical achievements.

10. Bolivia is pioneering the use of citizen voice to monitor the execution of public expenditure, particularly for HIPC II resources. This is a key development and requires donor support

Social control of public expenditure by civil society is one of the most innovative reforms adopted by recent Bolivian governments. However, in many cases, narrow political interests have captured these processes, Popular Participation and the role of the Local Oversight Groups. There have been recent attempts to strengthen these systems but changes in electoral law might be required. At the same time, social control at Departmental and national level has been introduced and civil society will now participate in the board of important institutions e.g. Social Funds, National Statistics Institute. This enhanced role for civil society demands stronger capacities and donor support.

Box 4: Results-Orientation: Lessons for other Countries

1. How can the credibility and ownership of results-based budgeting be strengthened?

Targets should be used in the budget process and for personnel management. Targets should be set by the agents with most information, generally service providers and service users, rather than the centre. Targets should focus on outcomes relevant to users and should be simple to understand and monitor. To avoid distorting behaviour, targets should be complemented by the use of surveys of user's satisfaction and other qualitative studies of performance.

2. What aid instruments best encourage the adoption of durable, credible and effective results-based frameworks?

Project aid has generally been poorly coordinated and has contributed to fragmentation, creation of parallel government structures and dysfunctional personnel management. Sector approach programmes have contributed to achieve greater coherence (e.g. education sector reform), however, they are unsustainable in the absence of fundamental reforms at the centre (e.g. budget process, pay scales, etc.). While budget support has not been used in Bolivia, given the poor quality of government systems, it offers the possibility of focusing on the core issues that frustrate the implementation of a results-oriented framework (e.g. reform of the budget, pay scales, financial controls, external audits, etc.)

3. How can the results based framework be tailored to institutional capacity?

Results-orientation should initially focus on ensuring that basic systems of oversight are put in place and that sanctions for non-compliance are applied. Sector reforms should ensure the set up and monitoring of a small set of simple targets as a priority on results and outcomes rather than on activity and processes. However, a programme that makes agencies more accountable, transparent and responsive to customers should complement this.

4. How can independent monitoring, performance audit and evaluation be promoted?

These activities are not possible in the context of patronage and an extremely politicised public administration, where there is no culture of impartial analysis or learning capacity. Public debate on the performance of public services and corruption, participation in social control should increase the demand for impartial information. The weakening of the traditional political system might also give a greater importance to Parliamentary scrutiny, including a greater follow-up of the Audit Office reports. Donors can play an important role in promoting independent audits, evaluations and transparency. Consistency and donor wide agreements in this area are necessary.

5. How can public service provision targets and indicators be integrated with PRSP indicators?

The PRSP should contribute to identify the country's wider strategic objectives and to inform the medium term expenditure framework and all sector strategies. As such, the PRSP should result on sector strategies that adopt targets and indicators prioritising the reduction of poverty. However, in Bolivia the MTEF does not exist, sector strategies are of variable quality and the budget process is poor.

6. How should developing countries present their public service performance targets and results to donors in the context of joint performance monitoring?

Government targets should be chosen because of their contribution to a results-based system (e.g. simplicity, consultation, etc see point 2 above) and consistency with the PRSP. Therefore, donors should use these targets for their joint monitoring. The level of target dis-aggregation will depend on the advance of sector reforms. Generally, it will take some time before reliable disaggregated data is available. There is no use in setting too many targets and indicators when their reliability is poor. This is the case of most municipal data in Bolivia. However, the Mechanism of Social Control is trying to identify useful and reliable indicators at a municipal level.

Annex 1: List of Meetings

Ministry of Finance

Mario Domínguez, Viceministro de Presupuestos
 Edwin Aldunate, Director General de Presupuesto
 Alejandro Tovar, Director de Presupuesto de la Administración Central

Carmen Zuleta, Directora ILACO
 Carlos Jemio, SIGMA, Consultor responsable sistema de presupuesto
 María Eugenia Yanez, SIGMA, Consultor sistemas integrados de administración financiera

Rodrigo Castro, VIPFE, Director Nacional de Inversiones Públicas
 Víctor Hugo Bacarreza, VIPFE Director de Financiamiento.
 Marcelo Barrón, Componente Sostenibilidad de la EBRP
 Randulfo Prieto, Consultor Salud.

Rodney Pereira, Director UDAPE
 Miguel Vera, UDAPE
 Miguel Rivera, UDAPE
 Wilson Jimenez, UDAPE

Vice-Ministry of Strategic Planning and Popular Participation

Marcos Castellón, Seguimiento Municipal de la EBRP

National Institute of Statistics

Luis Pereira, Director
 Walter Castillo, encargado de sistemas de información

Civil Service Superintendency

Walter Guevara, Superintendente

National Service of Personnel Management (SNAP)

Joaquín Antezana, Director

Ministry of the Presidency

Paola Muller, Directora, Unidad de Evaluación SISER
 Hugo Duchén, Experto

Health Ministry

Guido Monasterios, Director General de Proyectos, Planificación y Coordinación
 Jaime Luis Rojas Moyan, Jefe Unidad de Gestión y Reforma
 María Luisa Salinas, Jefe del Grupo de Calidad y Regulación
 Siony Mendoza, Coordinadora de la Unidad de Relaciones Internacionales
 Roxana Ruiloba, Coordinadora de Monitoreo y Evaluación. Reforma de la Salud

Education Ministry

Erick Sanjinez, Director General de Coordinación Técnica. Vice Educ. Inicial, Primaria y Sec.
 Mauricio Alcerreca, Jefe Unidad de Programación. Seguimiento y Evaluación VEIPS
 Miroslava Peña, Jefe de la Unidad de Gestión y Reforma

Justice Ministry

Guido Jinez, Unidad de Gestion de Reforma

Road National Service (SNC)

Billy Negrón, Planificacion

Reinaldo Carrasco, Gerente Administrativo y Financiero

Sr Gamberos, Recursos Humanos

National Audit Office (Contraloría General de la Republica)

Javier Diez Medina, Asesoría General

Antonio Birbuet, Director del Programa de Auditorias Forenses

Congress

Carlos Cordero, PRONAGOB Componente Congreso

Ramiro Quiroga, Secretario Tecnico, Comisión de Hacienda. Diputados

Jose Luis Torrico, Secretari Tecnico, Comision de Descentralizacion y Participacion Popular, Diputados.

Local Governments

Federación de Asociación de Municipios, Rubén Ardaya

Civil Society

Mecanismo de Control Social, Vice-Presidente. Héctor Córdoba

UNITAS, Hugo Fernández

CEDLA, Director Javier Gómez

CEDLA, Cecilia Ramos

CEDLA, Ex-coordinador Proyecto Control Ciudadano. Gustavo Luna.

Proyecto Democracia y Participacion Ciduadana. Gloria Aguilar

Capacidad y Derecho Ciudadano, Directora Mónica Baya (experiencia local en control social, ladera oeste La Paz)

Comité Vigilancia de la Paz. Distrito 10. Asesor y ex - representante. Cristobal Ticono.

Centro de Promocion Gregoria Apaza, Gerente de Planificacion y Genero. Mario Gonzalez.

Derechos Humanos, Democracia y Desarrollo. Secretaria Tecnia. Fernando Rodriguez.

Private Sector

Javier Cuevas, economista CEPB

Juan Carlos Requena, consultor independiente, ex-cordinador del PRSP

Donors**IMF**

Gerardo Peraza, Representante

World Bank

Pablo Alonso, economista

Patricia Alvarez, educación

Interamerican Development Bank

Hugo Flores, Salud

Armando Godinez, Educacion

UNDP

Eduarno Forno, Representante

Denmark

Mogens Pedersen, ministro consejero

Fernando Medina, experto institucional

DFID, United Kingdom

Jason Lane

Holland

Ronald Siebes, Educacion