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# ACCOUNTABILITY IN BOLIVIA'S MUNICIPALITIES

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Bolivia's popular participation reform of 1994 introduced decentralized government in that country. The reform provided elected municipal councils with transfer funds from the central government, to design and implement local development policies and programs in the areas of health, education and infrastructure. It created vigilance committees whose members are elected by community-based organizations, and whose job is to ensure that municipal spending reflects community priorities. In the case of misspending by municipal government, vigilance committees may petition the Senate to have national transfer funds frozen. The question addressed in this paper is, do vigilance committees lead to increased accountability in Bolivian municipalities? This paper looks at O'Donnell's notions of vertical and horizontal accountability as well as Smulovitz and Peruzzotti's notion of societal accountability. The conclusion is that the popular participation reform provided a strong framework for accountability, with vigilance committees reinforcing all three types of accountability. However, the ability of vigilance committees to hold municipal government accountable is limited by their cooptation by political parties and mayors, and a tendency towards presidentialism; the accountability of vigilance committees to the community is limited by restricted membership in committees.

## Introduction

There is a large and growing world-wide trend towards decentralization. According to a World Bank estimate, 63 of the world's 75 countries with a population over 5 million have undertaken decentralization since 1980. In the 1980s and 1990s, almost every country in Latin America adopted measures to strengthen the role of local government (Selee 2004, 3). Decentralization is defined as the transfer from a central government to local governments, of the legal and political authority to plan, to make decisions and to manage public functions (Rondinelli 1981, 137). Proponents argue that decentralization addresses three concerns: the efficiency and responsiveness of government, economic development through investment at the local level, and increased political accountability through greater citizen participation (World Bank 2000, 108). This paper will examine the third aspect of decentralization – accountability – in the context of one country, Bolivia.

Just over a decade ago, with the adoption of the Popular Participation Act, Bolivia addressed the long-standing problem of a lack of state presence throughout the nation's territory. Prior to 1994, there were no municipal governments in the rural, almost exclusively indigenous, areas. Resources for health and education, as well as for roads, water delivery and other infrastructure projects reached only the larger cities. The introduction of the decentralization reform "offered a way of penetrating the national territory more fully and realizing the existence of a national state that provided a lifeline for local development" (Grindle 2000, 118).

Under the Popular Participation Act, thousands of indigenous, peasant and neighbourhood groups have been recognized as territorial grassroots organizations and given the responsibility for proposing and supervising public works projects, and for managing health clinics and schools. These territorial grassroots organizations elect from among their members representatives to be part of vigilance committees, which act as financial watchdogs to make sure that municipal funds are being properly spent. In the event of mismanagement of municipal funds, the response of the national government is to freeze the funds until the municipality can establish that it has its financial house in order. Funds may be frozen at the national government's own initiative or upon a request by a vigilance committee.

The question addressed in this paper is, do vigilance committees established under the Popular Participation Act lead to increased accountability in Bolivian municipalities? The

conclusion is that the law creates a strong framework for accountability, with vigilance committees reinforcing vertical, horizontal and societal accountability as those terms are defined by O'Donnell (1998) and Smulovitz and Peruzzotti (2000). In particular, the law gives vigilance committees the power to control the spending of public money by the municipal government, by requesting that the National Senate freeze the funds where they have been improperly spent. However, the ability of vigilance committees to hold municipal government accountable is limited by the possible cooptation of committee members by political parties and mayors, as well as by a tendency for committee presidents to exercise power to the exclusion of other members. Further, the accountability of vigilance committees to the communities they represent is limited by restricted membership in committees.

The rest of the paper is divided into four parts. The first part describes Bolivia's decentralization reform; part two outlines the concepts of horizontal, vertical and societal accountability and discusses how they are addressed by the popular participation reform; part three sets out the limitations on accountability in Bolivian municipalities; and the final part offers some conclusions and recommendations about decentralization in Bolivia.

## **1. Decentralization in Bolivia**

The purpose of decentralization in Bolivia is set out in Article 1 of the Popular Participation Act:

The present Law recognizes, promotes and consolidates the process of popular participation, whereby indigenous, peasant and urban communities are integrated into the legal, political and economic life of the country. The purpose of the Law is to promote a better quality of life for Bolivian women and men, as well as a more just distribution and better administration of public resources. The Law strengthens the political and economic means necessary to achieve democracy and representation, encourages citizen participation and guarantees equality of opportunity at all levels of representation to women and men. (Author's translation)

The law proposes to meet these objectives in four ways. First, it provides for a transfer of 20 percent of the national budget to municipalities, on a per capita basis. This money is referred to as popular participation funds.<sup>1</sup> In 2004, for example, the municipality of La Paz, with a population of 793,293 as of the 2001 census, received Bs163,321,900 in popular participation

funds (approximately Cdn\$24,018,000) (Enlared 2005).<sup>2</sup> For inhabitants of Bolivia's rural areas, this was the first time their communities had received any funding from the central government. The following anecdote shows the initial disbelief that met the arrival of funds:

The mayor of one municipality in [the department of] Oruro had to convince the community to do the annual operating plan. No one wanted to do it because it was a lot of work and they believed nothing would come of it. So the mayor went to the bank, took out all the money, brought it back to the community to show them it was really there. Only then did they start to work together. (Kohl 2003, 159)

Second, the popular participation funds are provided to elected municipal councils, who are empowered to design and implement local development policies and programmes. Third, the Popular Participation Act creates groups known as territorial grassroots organizations (*organizaciones territoriales de base*). Local residents from indigenous villages, peasant communities and neighbourhood associations petition municipal council to be recognized as a territorial grassroots organization.<sup>3</sup> Duties of these organizations include the management of educational and health services, the maintenance of public works, the promotion and preservation of the environment and sustainable development, and the promotion of equitable access for women and men.<sup>4</sup> Almost 15,000 of these organizations were registered between 1994 and 1997, varying in size from 60 members in the rural areas to 3,000 in the larger cities (Kohl 2003, 156).

Finally, the Popular Participation Act creates vigilance committees (*comités de vigilancia*). They are composed of representatives of the territorial grassroots organizations. The number of members of a vigilance committee varies from three to ten, depending on the number of districts in the municipality. All the territorial grassroots organizations in a district get together and elect from among their members one person to represent them on the vigilance committee. Committee members are elected for a two-year term in accordance with the traditions, customs or statutory regulations of the association in question. According to a 2002 poll of vigilance committee presidents, in the majority of municipalities (61 percent), committee members were elected at a meeting of leaders of territorial grassroots organizations. Sixteen percent of members were elected by general assemblies of territorial grassroots organizations, and 10 percent by direct vote of all members of territorial grassroots organizations. The remainder of respondents did not indicate the method of selection (Maydana 2004, 219).

Vigilance committee members carry out their work on a voluntary basis, with no remuneration being paid. In 1999, a social control fund was established to pay the expenses of committee members. This money covers travel, meals, publicity in local media, training and office supplies but is not considered remuneration. The amount received by a vigilance committee as social control funds depends on the size of the municipality, and varies from 0.25 percent (more than 100,000 inhabitants) to 1.0 percent (less than 10,000 inhabitants) of the total of popular participation funds received.<sup>5</sup> For example, in 2004 the vigilance committee in the municipality of La Paz received about Bs408,300, or Cdn\$60,000 (Enlared 2005).

A territorial grassroots organization can revoke the mandate of its representatives on a vigilance committee, under the following conditions: where two-thirds of the members of the territorial grassroots organization claim negligence on the part of the vigilance committee member in fulfilling his or her duties; where a vigilance committee member has been absent from three consecutive, or altogether five, vigilance committee meetings in a given year; and where a vigilance committee member has failed to report on the committee's activities to the territorial grassroots organization.<sup>6</sup>

Vigilance committees have two main duties: to act as coordinators between territorial grassroots organizations and the municipal government (making sure that projects are carried out according to priorities set by the community) and to control the use of public resources by the municipal government.<sup>7</sup> With respect to the latter, vigilance committees have two main ways of exercising control. First, where the committee believes that a municipality has misspent popular participation funds, it can make a complaint to the National Senate, requesting that those funds be frozen. The Senate will carry out an investigation and if the allegations are confirmed, will order the Ministry of Finance to freeze the municipality's popular participation funds. The funds remain frozen until the Senate is satisfied that the problem is resolved. In 2004, 170 of 314 municipalities (51.4 percent) had their funds frozen. Of these 170, 27 (15.9 percent) had their popular participation funds frozen following a complaint to the Senate by a vigilance committee (Bolivian Ministry of Finance 2004).<sup>8</sup>

Second, vigilance committees exercise control over the spending of municipal funds by giving or withholding their approval of a municipality's annual operating plan and budget. The annual operating plan translates the priorities set out in the municipality's long-term financial

plan into annual public investment; the budget translates the annual plan priorities into financial timelines and provides a comprehensive description of financing needs for approved projects.<sup>9</sup> If a vigilance committee withholds its approval of either of these financial documents, the national government (through the Ministry of Finance) may freeze not only the municipality's popular participation funds but also funds from other sources, including municipal property taxes.

Of the 170 municipalities that had their funds frozen in 2004, 50 (29.4 percent) had funds frozen for failure to present an annual operating plan or obtain committee approval of the plan, and 138 (81.8 percent) had funds frozen for failure to present other financial documents or obtain committee approval for them (Bolivian Ministry of Finance 2004).<sup>10</sup> However, the data do not indicate when funds were frozen for failure to obtain committee approval or simply for failure to submit. It is therefore not possible to determine how many instances of freezing can be attributed to vigilance committees refusing to approve financial documents.

## **2. Accountability in Bolivian Municipalities**

Accountability is seen not only as one of the main elements of democracy but also an important part of democratic quality. That is, "without working systems that can provide 'credible restraints' on the overweening power of the executive, democratic regimes tend to remain shallow, corrupt, vulnerable to plebiscitarian styles of rule, and incapable of guaranteeing basic civil liberties" (Diamond, Plattner, and Schedler 1999, 2). Accountability has two aspects: answerability and enforcement (Schedler 1999, 14-17). The first requires public officials to provide information about their actions and decisions to the public, and to justify those actions and decisions. The enforcement aspect implies the presence of an accounting party that has the ability not only to call into question improper behaviour, but also to impose sanctions on the public official for misconduct.

Within the framework established by the Popular Participation Act, vigilance committees carry much of the weight of accountability. Committee members call into question improper behaviour on the part of municipal government, by alleging misspending of popular participation funds and refusing to approve budgets and annual operating plans that do not reflect the spending priorities of the community. Committees have the ability, if not to impose sanctions themselves, at least to request that the national government do so, in the form of freezing of

municipal funds. The rest of this section will describe how the role of vigilance committees, as set out in the law, increases vertical, horizontal and societal accountability within Bolivian municipalities.

## **2.1 Vertical Accountability**

O'Donnell (1998) classifies accountability as either vertical or horizontal. Vertical accountability refers to the right of those who are affected by the decisions of public officeholders to renew or revoke their mandates and horizontal accountability refers to the obligation of public officeholders to answer for their actions to one another (O'Donnell 1998, 113). Beginning with vertical accountability, in O'Donnell's view this is provided for through free and fair elections where citizens pass judgment on their representatives. His concern, however, is that because elections occur only periodically and because of other factors such as low voter turnout and the poor definition of issues, the ability of elections to secure vertical accountability is unclear (O'Donnell 1998, 112). In particular, he states that "in the absence of duly authorized state agencies of investigation and oversight capable of parceling out responsibility and sanctions," criticism of government by members of the public merely creates a climate of disaffection with government (O'Donnell 1998, 113).

O'Donnell's concerns with respect to vertical accountability are to a large extent met by the Popular Participation Act. While municipal elections do indeed take place only periodically, the law has provided a mechanism to deal with citizens' concerns during the period between elections. Bolivia's municipal vigilance committees are exactly the "oversight state agencies of investigation" that O'Donnell mentions. They have the power to ensure that municipal governments respect the wishes of constituents in the formulation of annual operating plans and budget documents. They also have the power to oversee the spending of public funds and have strong sanctions at hand – complaints to the National Senate that may result in a freezing of those funds – when they believe governments have acted negligently. Therefore, by providing mechanisms for the expression and enforcement of social demands in the period between elections, the law increases vertical accountability.

## **2.2 Horizontal Accountability**

O'Donnell also expresses concern with the robustness of what he terms horizontal accountability. This refers to holding accountable someone else of roughly equal power. The checks and balances exercised by the executive, legislative and judicial branches, one against the other, is a classic example of horizontal accountability. According to O'Donnell, "undermining horizontal accountability remains the dominant strategy" of the executive branch in many countries, whose members fail to observe the separation between their own private interests and the public good (O'Donnell 1998, 120). O'Donnell proposes watchdog groups to protect against unethical conduct by public officials, followed up by appropriate action on the part of state agencies.

The Popular Participation Act strengthens horizontal accountability by creating a municipal agency – vigilance committees – that is given the authority to act against other municipal agencies – the mayor and municipal council – where public funds are being misspent. O'Donnell is of the view that horizontal accountability is best served when both members of the public and state agencies are vigilant with respect to conflict of interests. Oversight committees fold both these actors into one entity, which can express the concerns of citizens with actions backed up by state-supported sanctions.

One of the main criticisms of O'Donnell's idea of horizontal accountability is that it is reserved for intrastate relations and so does not include non-state actors in the class of people who hold state agencies accountable. Schmitter (1999) calls this a glaring limitation as "there is every reason to suspect that state agencies, no matter how formally independent from each other, will tend to collude – all in the name of 'the national interest'." Therefore, horizontal accountability is better served if "rooted in permanent organizations that were well informed and powerful enough to face up to state agencies/agents without sharing the same public legal status or the same collective mentality" (Schmitter 1999, 60).

Vigilance committees established under the Popular Participation Act address exactly this concern. They represent a way of giving a voice to members of neighbourhood, peasant and indigenous grassroots organizations (clearly non-state actors) while at the same time giving vigilance committees the authority of law to act as state actors. This addresses the concern of asymmetrical power relationships and satisfies Schmitter's proposal that horizontal



accountability be rooted in permanent organizations, powerful enough to stand up against state agencies, in this case the mayor and municipal council.

### **2.3 Societal Accountability**

Smulovitz and Peruzzotti state that “[t]here is widespread consensus in most scholarly literature on Latin American democracies that governmental accountability in both [the vertical and horizontal] dimensions is sadly lacking” (Smulovitz and Peruzzotti 2000, 148). In particular, they note policy switches, where a candidate’s electoral mandate and subsequent government policies lack congruity. They also state that although power among the executive, legislative and judicial branches is in theory divided, “the judicial and legislative branches are not considered fully legitimate mechanisms for controlling or limiting the actions” of the executive (Smulovitz and Peruzzotti 2000, 148).

In response to this situation, Smulovitz and Peruzzotti propose societal accountability as “a nonelectoral, yet vertical mechanism of control that rests on the actions of a multiple array of citizens’ associations and movements and on the media, actions that aim at exposing governmental wrongdoing, bringing new issues onto the public agenda, or activating the operation of horizontal agencies” (Smulovitz and Peruzzotti 2000, 150). Societal accountability requires an organized civil society that is able to influence politicians and the bureaucracy and can include civic associations, nongovernmental organizations, social movements and the media (Smulovitz and Peruzzotti 2000, 151).

Smulovitz and Peruzzotti raise two potential problems associated with societal accountability, both of which are addressed by Bolivia’s Popular Participation Act (Smulovitz and Peruzzotti 2000, 156). First, they ask without coercive power of their own, what degree of control can societal mechanisms achieve? As has been stated, vigilance committees have the ability to set in motion a Senate investigation into the actions of a municipal government and so do have coercive power. Second, they note that since actors using societal mechanisms do not need to legitimize themselves through the electoral process, the legal framework for civil-society intervention and the internal accountability of civil-society organizations deserve consideration. The Popular Participation Act provides a detailed legal framework for civil-society intervention in municipal government. It also makes members of vigilance committees accountable to those

they represent, both through elections every two years and by providing a mechanism for the removal from office of those representatives.

To conclude, the framework set up under the law gives to vigilance committees the main responsibility for holding municipal government accountable for its actions. That framework addresses the concerns in the literature with respect to the robustness of vertical, horizontal and societal accountability. Regarding O'Donnell's concern that vertical accountability occurs only at election time, the law provides a mechanism for holding governments accountable in the inter-election period, through the freezing of municipal funds and the approval of financial documents. Second, the law answers Schmitter's concern regarding horizontal accountability by introducing an organization that is permanent, that has available to it sanctions that allow it to stand up to the state, and yet that is composed of members of grassroots organizations and so does not share the same status as municipal government. Finally, the law answers Smulovitz and Peruzzotti's concerns regarding societal accountability by giving vigilance committees coercive power and by making their members accountable to those whom they represent.

### **3. Limitations to Accountability**

The Popular Participation Act provides a strong framework for accountability within Bolivian municipalities by giving vigilance committees the ability to oversee the management of a municipality's financial resources, approve municipal annual operating plans and budgets, and request the freezing of popular participation funds. However, the ability of vigilance committees to hold governments accountable, and the accountability of committees to the people whom they represent, is limited by certain factors. There are three main areas of concern: vigilance committees are a target for co-opting by political parties and interest groups; vigilance committees are often weak, with the president of the committee having the greatest influence to the exclusion of other members; and vigilance committee members are not drawn from all members of society but only from neighbourhood, peasant and indigenous grassroots organizations.

The World Bank (2000a) carried out a study of 38 Bolivian municipalities, to provide insight into the popular participation reform and the performance of local government. The study found that vigilance committees are an attractive target for co-opting by political parties and

interest groups, as part of a struggle to gain partisan control over municipal resources (World Bank 2000a, 77). The study cites the example of the city of Oruro, a mining centre with a population of 201,504 about 200 km southeast of La Paz.<sup>11</sup> In Oruro, most issues under municipal jurisdiction, including the operations of the vigilance committee and the spending of popular participation funds, were determined along party lines. The mayor provided contracts and jobs to party members, seemingly unopposed by the vigilance committee, in return for support on election day.

Vigilance committees are also subject to cooptation by the municipal government. An example comes from the municipality of Guaqui, which has a population of 7,552 and is located in the *Altiplano*, or high plains, west of La Paz.<sup>12</sup> In 2003, the president of the vigilance committee reported that his committee had not received any money from the social control fund, money to which it is entitled for the payment of committee expenses. The mayor had told the president that if the committee did not question the way the mayor spent municipal money, the committee would receive its social control funds. Otherwise, the funds would not be paid out (Maydana 2004, 213).

A second area of concern is the tendency towards presidentialism, where the main duties of the vigilance committee are monopolized by the president of the committee and the other members are left to fill secondary roles (Ayo 2003, 131; Maydana 2004, 220). Despite there being no justification for this in the Popular Participation Act, the president acts in the name of the entire committee (for example, in meetings with the mayor or in attending training sessions) while the other members limit themselves to internal meetings of the vigilance committee or simply do not participate at all. Among the reasons for the lack of participation of committee members is that they often do not receive reimbursement for travel and food costs incurred in the course of their duties; that they receive no pay for their work; and that they may lack the training to carry out their duties, such as assessing municipal budgets (World Bank 2000, 77).

Finally, vigilance committees are not accountable to the entire community from which they are drawn but only to members of the neighbourhood, peasant and indigenous grassroots organizations that elect the committee members (Ayo 2003, 130). This is because the Popular Participation Act says that only neighbourhood, peasant and indigenous organizations can be registered under the law as territorial grassroots organizations, and only these organizations can

elect members of vigilance committees. As a result, all sorts of social groups – for example, church groups, women's clubs and small business associations – can not register as a territorial grassroots organization and are not entitled to revoke the mandate of vigilance committee members.

To conclude, the co-opting of vigilance committees by political parties and mayors, and the tendency towards presidentialism, both reduce the extent to which vigilance committees demand accountability from municipal government. In addition, limiting the category of person who can be a member of a vigilance committee limits the scope of accountability of committees to the communities they represent.

#### **4. Recommendations and Conclusions**

The question addressed in this paper was, do vigilance committees established under the Popular Participation Act lead to increased accountability in Bolivian municipalities? The paper found that the law creates a strong framework for accountability, with vigilance committees reinforcing vertical, horizontal and societal accountability. In particular, as watchdogs for the use of public resources by the municipal government, vigilance committees may refuse to approve budgets and annual operating plans that do not reflect the priorities of the community, and may also request that the Senate freeze popular participation funds where they suspect those funds have been improperly spent. This addresses concerns in the literature expressed by O'Donnell (1998) and Smulovitz and Peruzzotti (2000) by providing for a mechanism of accountability in the period between elections and by giving grassroots organizations the coercive power to enforce the rules against municipal government. However, the ability of vigilance committees to hold government accountable is limited by cooptation by political parties and mayors, and a tendency towards presidentialism; accountability of committees to the community is restricted by the limits placed on who can be a member of a vigilance committee.

In order to address these limits on accountability, two recommendations are proposed. First, it is recommended that social control funds be delivered directly to vigilance committees rather than through the mayor. Second, it is recommended that all community groups within a municipality be eligible to be recognized as territorial grassroots organizations. Both of these recommendations would require an amendment to the Popular Participation Act.

To begin with, having social control funds paid directly to vigilance committees would address both the problem of cooptation and the problem of presidentialism. One of the reasons that vigilance committee members are subject to cooptation is that their social control funds can be withheld by a mayor, who may use the money as a way to force committees to hold back their criticism of the spending of municipal funds. If social control funds are paid directly to committees, this means of pressure no longer exists. Further, one of the causes of presidentialism among vigilance committees is that members other than the president fail to participate because they are not reimbursed for expenses. If the vigilance committee could have direct control over the spending of funds, it could better apportion spending. However, committees who receive social control funds should be required to provide an accounting of their expenses, or risk losing the funds.<sup>13</sup>

Second, all social groups, and not just neighbourhood, peasant and indigenous organizations, should be able to be recognized as territorial grassroots organizations. Members of vigilance committees would then be drawn from a wider group in the community and the committees would represent a greater diversity of interests. In turn, vigilance committees would be accountable to a broader segment of society, which would be eligible to revoke the mandate of vigilance committee representatives.

Bolivia's popular participation reform has opened up new opportunities for Bolivians to participate in local government and to hold elected representatives accountable for their actions. The success of the reform depends to a large extent on the ability of vigilance committees to hold municipal governments to account, and on the extent to which committee members are themselves accountable to their communities. It is believed that the recommendations made here would, if adopted, strengthen the popular participation reform and introduce a new element of accountability in Bolivian municipalities.

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<sup>1</sup> Municipalities are heavily dependent on popular participation funds. Between 1995 and 2000, 97 percent of all municipalities received more in popular participation funds than they collected in taxes and services (Vice-Ministry of Strategic Planning and Popular Participation 2002).

<sup>2</sup> A Canadian dollar is worth about 6.8 Bolivianos, as of January 2006. The population figures are according to 2001 census data.

<sup>3</sup> The procedure for recognition of a territorial grassroots organization is set out in Article 5 of the Popular Participation Act. The organization is given legal personality by resolution of the departmental prefect, upon

presentation of a resolution of the municipal council along with other documents indicating its role in the community such as minutes of meetings and a description of its membership.

<sup>4</sup> Articles 7 and 8, Popular Participation Act.

<sup>5</sup> Article 151, Municipal Act.

<sup>6</sup> Article 12, Supreme Decree 24447.

<sup>7</sup> Article 10, Popular Participation Act.

<sup>8</sup> The Ministry of Finance can freeze funds under two other circumstances: where a municipality fails to submit financial documents to the national government or to obtain vigilance committee approval of those documents; or where the municipality has become ungovernable, usually because of the existence of two vigilance committees or two mayors. This can happen, for example, when incumbent office-holders refuse to yield to newly-elected members. In both of these circumstances, the Ministry of Finance can freeze not only accounts containing popular participation funds but also accounts containing money raised by the municipality itself, such as income from taxes and services.

<sup>9</sup> Financial planning requirements are set out in a number of laws: Popular Participation Act, Municipal Act, Organization of Executive Power Act, Government Administration and Control Act, and Budget Administration Act.

<sup>10</sup> Percentages will add to over 100 percent because municipalities can have funds frozen for more than one reason.

<sup>11</sup> The population figures are according to 2001 census data.

<sup>12</sup> The population figures are according to 2001 census data.

<sup>13</sup> Vigilance committees have been criticized for not providing an accounting of their expenses as required by the law (Maydana 2004, 212). No sanction is at present in place for this failure.

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