Decentralisation in Peru

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Editorial:
The Tyranny of Statistics

The tyranny of statistics is back with a vengeance. First, we had Bill Gates in February telling the Spanish government that it makes no sense to “help countries like Peru, a middle-income country with a per capita income of US$ 10,000, while there are children dying of malaria and people unable to get medicines for AIDS”. “Peru”, said Gates “has resources to exploit and could be as rich as a European country”.

For the sake of accuracy, Bill Gates’s figure of US$ 10,000 a year is adjusted for purchasing power – the raw figure is US$ 5,400 – but the US$ 10,000 is the figure relevant for discussions of poverty. Again for the sake of accuracy, while malaria is not currently a major problem for Peru, the country’s poor children have enough to be going on with. A hardship map shows that in the Andes and Amazon between 89 and 100 percent of young people have basic needs unmet.

“The huge problem of Latin America is inequality, between a rich minority and a poor majority, but also between regions within the same country. In the rich countries that make up the OECD, the widest income gap between the richest and poorest regions is 100%, while in Peru it is over 600% and in Brazil over 800%.

“A hardship map shows that in the Andes and Amazon between 89 and 100 percent of young people have basic needs unmet”
The Tyranny of Statistics (cont’d)

The reasons for this are complex. There is the legacy of colonialism, in which Latin American countries were basically seen as sources of raw materials or profit for the metropolitan countries (a situation reproduced today in the mining and hydrocarbon industries). And colonialism depended on slavery, either of the indigenous populations or of transported Africans, as in the case of Brazil. Both these population groups remain disadvantaged today.

In the case of Peru, the gap is between the coast and the jungle and the highlands. An important report published in April by Christian Aid, The Scandal of Inequality in Latin America and the Caribbean, devotes a chapter to Peru. The country’s economy overall has grown at an average of 6.4% since 2002 with an estimate for 2011 of almost 7%. Poverty rates nationally have fallen from 48.3% in 2004 to 34.8% in 2009, but while the figure for Lima was 15.3%, in the poorest department, Huancavelica, it was 77%. It was also over 59% in five other departments.

One reason for this is the low level of tax revenue, 14.9% of GDP in 2010 (in the UK it is over 35%). Another reason, or set of reasons, lies in Peru’s decentralised administration, examined by Andrew Nickson in his article in this Update. The royalties from the mining bonanza of recent years go to the regions and municipalities where the mines are located, and this has led to increasing inequality in the availability of resources across the country. The Finance Ministry (MEF) is obsessed with fierro y cemento (infrastructure), says Nickson, rather than social spending on health, education and water and sanitation. There has also been inadequate training for regional and local officials in dealing with their increased budgets. The Christian Aid report quotes a Congressman from Huancavelica as saying that the department annually returned S/100 million (US$ 38m) to the MEF over the last ten years.

Gender disparities are another factor in the persistence of poverty, and these are examined in an article by Paula Escribens. She reports the horrifying statistic that an average of 10 women die a month from extreme violence, 70% at the hands of their partners.

There is much useful support DFID and the European Union could give the Peruvian government in matters of taxation and regional administration, but perhaps they too see aid as primarily a matter of fierro y cemento. For the non-governmental development agencies there remains a crucial role in supporting small pilot programmes in agriculture, education and micro-finance that can then be taken over by local public and private agencies. Above all, they have a role in supporting local civil society in holding government to account. Here at home, when considering poverty in Latin America, there is also a need to insist on the message: ‘It’s the inequality, stupid!’.
The recent passing of the Prior Consultation Law in Peru has encouraged many to take a renewed look at the country’s participative legislation. The law, which draws on Convention 169 of the International Labour Organisation, provides for consultation with the country’s indigenous and tribal populations (understood to be the descendants of those living in the country prior to the arrival of the Spanish). It will apply only to groups that identify themselves as being part of either ‘indigenous’ or ‘tribal’ communities.

However, this legislation is not the only measure that aimed at greater inclusion of vulnerable populations in decision-making processes. A similar, albeit much scaled-down, initiative was passed via supreme decree in 2008. The aim of this law was to provide for some level of engagement with citizens prior to the commencement of hydrocarbons projects. The decree opened participation in the process to all who wished to take part, giving particular attention to vulnerable groups. Unlike the 2012 measure, it did not exclude stakeholders who did not belong to indigenous or tribal groups. However, these earlier attempts to obtain local buy-in for hydrocarbons projects were not without problems. An illustrative example of the difficulties is the case of artisanal fishermen operating in the Paracas bay, near Pisco in the Ica region.

Since 2004 the Paracas bay has been home to a processing plant and series of pipelines as part of the Camisea gas project, led by Pluspetrol Peru. Artisanal fishermen living nearby rely on the ocean for their day-to-day activities and any small changes in the environment could have a dramatic effect on their work. They are mostly an uneducated group as many move into the family business while still very young. Some have criticised the fishermen for what they perceive to be a poor work ethic, saying group members work only to gather their daily income and show little interest in expanding their operations. The long-term survival of their activities has also been endangered by historical overexploitation of fishing stocks, both by industrial and artisanal fishing operations. For all the above reasons, the fishermen should be classified as a vulnerable group.

As a precondition for starting its operations, in 2003 the government requested that Pluspetrol sign eight socio-environmental agreements with different stakeholders in its proposed area of operations. These were to be signed only with associations of fishermen (loose groupings that represent the interests of their members) that had registered with the Ministry of Production. At this stage,
separate accords were signed with both of the associations of artisanal fishermen from the San Andrés village. A third agreement was also signed with a grouping of five similar associations from Pisco city. Under these arrangements, Pluspetrol committed to pay US$ 800,000 to the fishermen over the project’s life span. The funds were to be released periodically and were only to be used to finance approved development projects.

Both Pluspetrol and the fishermen agree that there have been problems since the start. The fishermen complain that Pluspetrol won’t accept the projects they propose, and that the majority of the funds therefore remain unused. They claim Pluspetrol should provide better guidance as to what they believe constitutes a “proper” development project. Pluspetrol on the other hand, says it is not their responsibility to train fishermen on how to design and write qualifying project proposals. The result has been a growing sense of mutual distrust.

**Project Expansions**

With two expansions of the project in 2008 and 2011 the fishermen believed new compensation agreements would be drawn up. Those that had been unable to access the development fund from the original project thus registered themselves as family-based associations to qualify for the anticipated new agreements.

In the event, Pluspetrol did not sign any new contracts under its project expansion programme. Instead, from 2007 it began making payments to another type of fund, known as a voluntary contribution fund, whose earnings would be used for development projects in the nearby area. In contrast with the earlier scheme, these sums were due to be distributed directly to individuals rather than being channelled through associations. US$ 72,000 was set aside for the area as a whole, and an additional US$ 2,000 was to be given to the fishermen. While the larger fund has already been spent, no-one has yet been able to access the US$ 2,000 as Pluspetrol is still finalising its plans for the distribution of the money.

**Monitoring Programmes**

Discussions over access to development funds are not the only problematic area of relations between the fishermen and the firm. There have been other issues over a voluntary monitoring programme set up when the Pluspetrol project started in 2004. Representatives from the local population, including some of the fishermen, were in-
vited to participate in the monitoring process. However, these efforts quickly stalled as the fishermen requested payment for their involvement to compensate them for missing a day’s work. When Pluspetrol agreed to the payouts, those outside the scheme claimed that those who had received Pluspetrol money had become employees of the firm. This meant, they argued, that those who had received the payments could no longer be trusted.

An effort to restart the monitoring programme has begun within the framework of the 2008 hydrocarbons decree mentioned above. As part of this initiative Pluspetrol has begun training a number of local stakeholders including students from the local university, port authorities, and members of the Paracas National Reserve. Due to the previous difficulties however, the firm has taken the conscious decision not to include the fishermen. This runs counter to the principle of citizenship participation as outlined in the 2008 legislation.

The artisanal fishermen in the Paracas Bay are just one example of a problem that is replicated right across the country. Although the particular circumstances may vary, many other sections of the population have also proved unable to effectively participate in local development decisions. Careful attention will need to be paid to how the Prior Consultation Law is applied at a local level to ensure all vulnerable groups that should be consulted are indeed being included in the process.

Decentralisation in Peru

Andrew Nickson, honorary reader in public management and Latin American studies at the University of Birmingham, tracks developments in Peru’s decentralisation programme.

For many decades decentralisation of political power has been an aspiration for those living outside Lima, opposed to the long history of centralist government that has concentrated resources on the capital city. After much posturing, real moves towards decentralisation eventually began in earnest in 2002 when political autonomy was granted to the country’s 25 regions (previously administrative ‘departments’). This was followed a year later by the passing of a new municipal law. The original intention was to create larger regions, but this effort collapsed in October 2005 following the defeat of a referendum proposal to amalgamate the 25 districts into five macro-regions.

The process of political decentralisation now underway has, from 2006 onwards, been accompanied by a rapid increase in the size of fiscal transfers, both to regional and local government. This has been propelled by the economic boom that tripled per capita income between 2001 and 2011 and that left central government with a fiscal surplus of 1.5% in 2011. It is estimated that this boom has enabled regional and local governments to increase their investment six-fold since 2006, thanks in large part to central government-funded transfer programmes such as FONCOR (for regions) and FONCOMUN (for local government). In addition, there has been a proliferation of targeted investment programmes, either implemented directly by the central government (such as JUNTOS, PRONA, Vamos Perú, Jóvenes a la Obra) or through local governments (such as FONIPREL, Trabaja Perú). Nevertheless, due to the highly asymmetric distribution of royalty payments from mining projects, there...
has been a rapidly growing horizontal (i.e. across the country) inequality in the size of financial resource available to individual regions and municipalities for investment purposes.

Altogether, some 180 service delivery responsibilities have been transferred to regional governments as part of the decentralisation process. However, a significant drawback of the current process is that, with the exception of pilot projects for municipalisation of education and health, there are still no plans to transfer major sector functions to local government. This failure to incorporate local government fully in the decentralisation process has only served to exacerbate the longstanding problem of coordination of service delivery at the grassroots level.

The Finance Ministry and Decentralisation

In theory, the Secretaría Nacional de Descentralización (SND) is responsible for the coordination of the decentralisation process at a national level (ironically, its headquarters are located in the heart of the capital’s exclusive Miraflores district). In practice however, it is the Finance Ministry (MEF) that retains total strategic control of the process through its national system for public investment, Sistema Nacional de Inversión Pública (SNIP). In its arrogant relationship with sub-national governments in general, the MEF is obsessed with the attainment of blunt quantitative investment targets such as the “share of disbursed transfers actually spent” by each municipality. Yet at the same time it offers minimal support to local governments in designing projects for submission and carries out virtually no evaluation and monitoring of the use of the transfers that it authorises. As a result, many poorer municipalities are at the total mercy of self-seeking consultancy companies for compliance with the myriad of central government requirements.

Nor does the MEF make much use of earmarking transfers to match poverty reduction targets. In fact, the SNIP has an in-built bias towards investments in physical infrastructure projects - what Peruvians call fierro y cemento (steel rods and cement) - because they are easier for the narrow-minded MEF economists to measure. This has made it difficult to integrate the decentralisation process with poverty reduction objectives. Attainment of the Millennium Development Goals, for example, would require a major shift towards social expenditure on health, education and water sanitation. These are all areas for which the MBA-educated MEF staff are at a loss to measure ‘output’.

Administrative Issues

Furthermore, the extremely complex administrative system within which the current political and fiscal decentralisation process is taking place has had negative consequences for the efficiency, equity and effectiveness of sub-national public expenditure. In particular, the absence of any semblance of a career system in the Peruvian public administration has led to a bloated bureaucracy at the regional level, inherited from the staff of the former ‘departments’, many of whom actively oppose any deepening of the decentralisation process to local government. The velocity of rotation of senior and middle-level staff is now outpac-
ing even that found in central government ministries, leading to a serious absence of institutional memory at the regional level. An even deeper problem is the existence of a relatively high number of such ‘intermediate’ (i.e. regional) governments (25) for a country of only 30 million people. The strong attachment of regional politicians to their departmental identity, often inflated by populism and the rhetoric of autonomy, compounded by the crisis of nation-wide political parties, is making it very difficult for inter-regional collaboration to prosper.

Conclusions

There is a striking absence of administrative reform to accompany the ongoing political and fiscal decentralisation. In practice, in spite of projects such as SERVIR, serious moves towards the introduction of a career-based civil service are paralysed. The rapid rotation of regional director-generals and sectoral directors continues unabated. The ratio of contracted to permanent staff has increased dramatically and the former are sidelined in staff training programmes. Instead, donor agencies focus training on contracted staff - most of whom stay only a short time in the public sector - thus reducing the impact on productivity. As a result of this paralysis in administrative reform, the surge in fiscal transfers has led to a worsening in the articulation between central, regional and local government in the delivery of basic public services at the grassroots level. It has also led to a notable increase in corruption (euphemistically referred to as ‘filtration’ in Peru) and a slowdown in the implementation rate of local public investment programmes. The vicious circle caused by the combination of the above factors – and not by the lack of money – provide the major explanation for the persistence of chronic poverty in 800 municipalities of rural Peru.

In early February 2012 the Peruvian Congress sought to create a corps of Local Development Managers to work in the poorest municipalities of the country. The initiative was widely criticised (and rapidly suspended) on the grounds that it would be unheard of for public sector managers to report directly to the legislature and not to the executive. However, the fact that an extraordinary proposal gained such traction inside Congress was a reflection of just how serious the problem of administrative complexity in Peru today is. It also signalled a strong sense of impotence and subordination on the part of the municipal mayors in their dealings with central government in general, and the MEF in particular.

Featured event:

‘Devil Operation’ - Film Screening
Wednesday 20th June 2012
Canning House, 2 Belgrave Square, London

Canning House will be hosting a screening of the documentary Devil Operation; a critical examination of links between private security and mining firms in Peru. The screening will be followed by a panel discussion and Q &A session. The panel will consist of:

- Hugh Elliott, International Government Relations Manager at Anglo American
- Peter Low, Coordinator at Peru Support Group
- Michael Watts, Filmmaker and Director of Peru: Undermining Justice

For full details of the event please visit www.canninghouse.org/events
To effectively analyse the situation of Peruvian women today it is important to first note a few points of political and economic context. Beginning in 1980, Peru suffered a twenty-year internal conflict in which nearly 70,000 died and many others suffered torture and rape. The violence also coincided with the country’s worst economic crisis in recent history. Consistently high rates of economic growth over the last decade or so however, have led many outsiders to conclude that the country is now entirely stable. It is in this context that Bill Gates recently said that Peru, as a middle income country, should no longer receive any support from international donors.

Yet it is far from possible to divine the country’s current reality merely by examining the macroeconomic statistics. The armed conflict may have finished, but Peru remains characterised by inequality, widespread discrimination and racism. Resources are concentrated in the hands of a very small proportion of the population and, according to World Bank statistics from 2010, over 30% of the population lives in poverty. Poverty rates are highly uneven across the country. Over 60% of the rural population is poor, while in urban areas the rate is just over 20% (as reported by the National Statistics Institute in 2009). For extreme poverty the figures are 27.8% and 2.8%, respectively.

Women and Violence

This context is vital to any discussion of women’s rights in Peru as it is poor and indigenous women, those living in rural areas, and those whose mother tongue is not Spanish, who are most affected by gender violence and other types of discrimination. This limits their ability to fully exercise their human rights. We are still a long way from eradicating inequalities between genders and, in some cases, the human rights situation of Peruvian women has even got worse. Taking gender perspectives into account is accordingly of the utmost importance when analysing the various issues faced by the country, or when working on development projects on the ground.

Women are still excluded from crucial issues in the public agenda today. The persistently high rates of violence against women are a good example of how the state does not adequately address their most urgent needs. DEMUS, a local women’s rights organisation, stated that in 2010 there were...
Women and Human Rights in Peru (cont’d)

135 instances of femicide in the country. Seventy percent of the victims were killed by their partners. This means that more than ten women die every month as a consequence of extreme violence, despite the fact that many had previously gone to a state institution to make a complaint. In 2009 alone, the Peruvian National Police recorded more than 95,000 complaints of family violence.

“more than ten women die every month as a consequence of domestic violence, despite the fact that many had previously gone to a state institution to make a complaint”

Another serious problem is sexual violence, which has occurred both in times of peace and war. During the country’s internal armed conflict, rape was used as a military strategy, particularly by state agents charged with pacifying the country. These groups perpetrated widespread human rights violations, using women’s bodies as their battlegrounds. State agents were reported to be the aggressors in some 83% of instances of rape and sexual violence during that period. While the sexual violence of the war years did have its own particularities it was not a complete aberration. Rather, it was part of a broader continuum of violence against women before, during and after the conflict.

Such violence has affected women of all ages. For example, a significant proportion of the 3,257 reported cases of child abuse in 2010 and the 3,700 in 2011 involved mistreatment of females. According to the 2011 DESC Alternative Report, 12% of Peruvian women have been forced to have sex at least once in their life. There are approximately 35,000 pregnancies a year that result from these violations. The above statistics clearly demonstrate the urgent need to strengthen public policy in order to deal with cases of violence against women in a far more efficient and effective way. Prevention of violence and promotion of human rights and gender equality are all also crucial.

The continued and widespread use of violence against women demonstrates the ongoing patriarchal nature of Peruvian society and highlights the reality that women’s rights largely remain invisible. The persistence of racism means those who are both female and indigenous suffer still more as victims of ‘double discrimination’. To meet its democratic aspirations Peru will need to first ensure that all its citizens are granted full access to justice and that reparations are paid to those who have suffered from its gender-based violence.

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Promoting the rights and interests of the poorest and most vulnerable sections of Peruvian society.