Beyond the Conventional Wisdom: USAID Projects, Interorganizational Linkages, and Institutional Reform in Peru

GREGORY D. SCHMIDT

From 1983 to 1987 the United States Agency for International Development (USAID) provided support to several national-level organizations in Peru's highly centralized public sector: the Rehabilitation and Reconstruction Division (GRR), the Sierra Microregional Project (PMS), and the Technical Assistance and Training Program for Departmental Development Corporations (PATC-CORDES). These national-level organizations, in turn, provided assistance and political support to decentralized development agencies called departmental development corporations (CORDES).

Linkages between national and departmental-level organizations in Peru facilitated more efficient implementation of the USAID projects, capacity building in CORDES, and use of comparative advantages among the corporations and other organizations. Such impacts are significant, though not surprising in light of the recent literature on interorganizational linkages and decentralization. But in Peru the same linkages also played a crucial role in securing important institutional reforms at the national level—a very unusual project impact that is not anticipated by the recent literature.

The first section of this article provides an overview of the recent literature on interorganizational linkages and decentralization, emphasizing key issues of concern to the ensuing analysis. The second section gives general background on the Peruvian

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Department of Political Science, Northern Illinois University, DeKalb IL 60115

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institutional context. The third section examines the constraints faced by CORDES. The fourth section describes the two USAID projects that collaborated with the corporations: the Integrated Regional Development (IRD) Project and the Disaster Relief, Rehabilitation, and Reconstruction (DRR) Project. The fifth section sketches the organizational network established by the two projects. The sixth section summarizes conventional uses of interorganizational linkages by the projects. The seventh section analyzes how interorganizational linkages also were used for the unconventional objective of institutional reform. The eighth section draws on the case study to reach conclusions that both support and challenge the existing literature.

The article is based on a review of documents, reports, and studies by persons working in USAID/Peru, national-level agencies of the Peruvian government, and CORDES; extensive interviews with political leaders, managers, and professionals of these same organizations; independent evaluations of the IRD and DRR Projects; analysis of Peruvian legislation, especially national budget laws from 1985 through 1989; and other references cited in the text.

**Literature Review: Interorganizational Linkages and Decentralization**

Interorganizational linkages (hereafter simply "linkages") "are the mechanisms by which one organization is tied to or attempts to influence another." A series of linkages constitutes an organizational network (hereafter simply "network").

Over the past two decades linkages and networks have become increasingly important to the activities of international donors. Development assistance has often been channeled through intermediate agencies or associations, which in turn have provided resources and technical assistance to lower-tier organizations or units of production. Donor-supported paraprofessional systems for agriculture, health, and other sectors rely on explicit linkage strategies. Integrated rural development and other "new style" projects prominent during the late 1970s and early 1980s were especially linkage-intensive. Although donors have recently stressed more focused projects and policy reform, linkage considerations remain important because most projects still have multiple components and because structural and sectoral adjustment programs are becoming increasingly complex. Moreover, the recent emphasis on sustainability logically leads to consideration of linkage issues.

Analysis of linkages and networks also has been central to cutting-edge work on institutional development. The seminal research of David Leonard and his associates relates various contextual, programmatic, and administrative variables to alternative linkage strategies for reaching the rural poor and analyzes the comparative advantages of more general linkage approaches. Norman Uphoff's magisterial synthesis of rural development experience convincingly demonstrates the importance of linkages among local organizations, and between them and organizations at higher levels. Linkage issues are also addressed in the work of Dennis Rondinelli and his coauthors, who have most systematically examined decentralization policies in the Third World.

This section first discusses several different schemes for classifying linkages. It then summarizes key conclusions of the literature regarding networks and the role of linkages in decentralization policies. The section concludes by arguing that, despite very important contributions, the recent literature does not adequately deal with the
frequent existence of overbearing and counterproductive control linkages that emanate from the central government in many developing countries. Much of the ensuing discussion explicitly focuses on the work of David Leonard and his associates, who have developed a coherent and useful analytical framework that integrates linkage and decentralization constructs. But most of the arguments articulated by Leonard find support in the work of Rondinelli, Uphoff, and other leading analysts of institutional development.

**Types of Linkages.** Linkages can be classified in accordance with various criteria. The simplest classification is by the type of mechanism used. Leonard discusses five types of common linkage mechanisms: (1) finance; (2) regulation and monitoring; (3) technical and personnel assistance; (4) provision of services; and (5) representation or influence.

Linkages can also be distinguished by the relative levels of the organization that they connect. "Vertical" linkages connect organizations at different levels—national, regional, local, or grass-roots. Linkages among organizations at the same level can be termed "horizontal."

A third useful distinction involves the underlying purpose of linkages. Leonard argues that linkages perform two major functions: control and assistance. "The purpose of control linkages is to enable one organization to determine some aspect of another's performance," whereas assistance linkages transfer resources, skills, or services in order to improve the capabilities of the aided organization. Regulation and monitoring are frequently used as control linkages by higher-tier organizations vis-à-vis lower-tier ones, which in turn may exercise some control over their supervisory bodies through various forms of representation or influence. Finance, services, and technical and personnel assistance are usually provided through assistance linkages.

Combinations of control and assistance linkages are usually found in practice. Indeed, some forms of assistance—such as the secondment of staff, supply and marketing channels, and technical assistance—may be used as controls. "The clearest signal that the assistance may be turning into a control is the desire of the providing organization to monopolize it."

**Organizational Networks and Complementarities.** There is broad consensus in the literature that networks can have a crucial catalytic impact for development. In an early landmark study of 16 Asian countries, Uphoff and Esman found that effective rural development almost always involves networks, rather than single organizations. "What count are systems or networks of organization, both vertically and horizontally, that make local development more than an enclave phenomenon." Over time, this conclusion has been supported by other major research.

As work on networks progressed, institutional analysts paid increasing attention to *comparative advantages* among organizations in networks. Leonard observes:

Central government agencies, intermediate organizations and local groups all possess resources and capabilities that are needed by the others. The challenge is to link these institutions together in such a way that their weaknesses are counterbalanced and their comparative advantages are used. By doing so, a contribution can be made to development which neither local nor national organizations could achieve alone. The process of rural development depends on combining the resources and skills which are scattered among organizations of different types and sizes.
Leonard illustrates this general assertion with a series of concrete examples. For instance, in rural roads projects, community organizations can provide crucial input in planning, mobilize voluntary labor for construction, and supervise maintenance, whereas government agencies typically provide engineers and heavy construction equipment. Uphoff and his associates at Cornell analyzed the comparative advantages of various kinds of local institutions for different rural development tasks: natural resource management, infrastructure, primary healthcare, agriculture, and non-agricultural enterprise. Cochrane's study of local governments in developing countries also stressed the principle of comparative advantages among institutions.

Assistance Linkages between Central and Decentralized Organizations. “Decentralization can be defined as the transfer of responsibility for planning, management and resource raising and allocation from the central government and its agencies to: (a) field units of central government ministries or agencies, (b) subordinate units or levels of government, (c) semiautonomous public authorities or corporations, (d) areawide, regional or functional authorities, or (e) nongovernmental private or voluntary organizations.” It is customary to distinguish among different modes of decentralization—deconcentration, devolution, delegation, and privatization—depending on the organization to which responsibilities or resources are transferred. These distinctions, however, are not necessary for the purposes of the present article.

In recent years decentralization has become a major concern of the development community, as many analysts and practitioners have argued that decentralized organizations in the public and private sectors can facilitate various development objectives. Over the last two decades, a number of developing countries have attempted significant decentralization initiatives. Moreover, as major international donors have searched for ways to support more egalitarian, participatory, and self-sustaining development, they have displayed increasing interest in various modes of decentralization.

Centralization and decentralization are often discussed in zero-sum terms, as if the strengthening of decentralized organizations necessarily means the weakening of those at the center. All modes of decentralization transfer responsibilities and resources to decentralized organizations in the public or private sectors, but it follows from the preceding discussion that central organizations will retain or gain comparative advantage for certain tasks. This is particularly true for rural development. Although intermediate and local organizations in rural areas can facilitate participation and adaptability, they typically lack resources, administrative capacity, and technical skills. International donors may fill resource and skill gaps in the short run; however, sustainability requires the establishment and institutionalization of national capabilities for assisting decentralized organizations. Thus, paradoxically, effective decentralization usually involves the strengthening of selected central government agencies and their reorientation into more supportive roles. “One of the more difficult, but important, forms of international aid is that which institutionalizes a central organizational capacity to assist local and intermediate organizations.”

Designers of decentralized projects or programs must find (or in some cases create) the central agency (or agencies) that will most effectively provide support. The central agency selected should be committed to the goals of the program and possess or have
access to relevant resources, technical skills, and managerial capacity. If the program is supported by international assistance, donors usually can be expected to provide implementing agencies with scarce resources and also may supply or help develop relevant technical and administrative capabilities. But it is more difficult to modify organizational commitment, which is largely a function of patterns of professional socialization in the agency and its relationship to clientele groups. For this reason, Leonard argues that organizational commitment is the key variable affecting the selection of an appropriate implementing agency in the national government.

Appropriate linkages between the chosen central agency and lower-tier organizations must be reinforced or created. Assistance from governmental bodies usually comes with at least some strings attached. Indeed, some types of controls—such as financial monitoring and auditing—can actually represent services to the membership of lower-tier organizations. Nevertheless, overbearing controls undermine local responsibility, stifle the effectiveness of local organizations, and evoke local resistance, though the appropriate level of control is a culturally relative concept. On the other hand, “training, professional advice and the like are (properly) seen as assistance, are more readily accepted, create less psychological resistance and have a socializing effect on local program content.” Therefore, decentralization is most effective when vertical linkages are primarily assistance oriented. “The need for the center to maintain a service orientation and to provide assistance beyond simply finances to intermediate and local organizations is the great decentralization lesson of our generation.”

What about Existing Control Linkages? The public sectors of developing countries tend to be centralized and control oriented as consequences of their colonial legacies, economic and political development strategies pursued after independence, and the impact of early foreign assistance practices.

Control linkages are often omnipresent and counterproductive. In many Asian countries centrally imposed rules, regulations, and civil service procedures leave very little scope for independent action by decentralized agencies. The very centralist legal and administrative system of French colonial rule in North Africa became even more control oriented after independence. In East Africa, there is often “slavish conformity to complex, detailed, and ponderous procedures to accomplish even the simplest and most routine tasks.” Latin American bureaucracies are infamous for their rigidity, formalism, and inefficiency.

A number of common problems in the developing world are related to the inappropriate or excessive use of control linkages. National budgetary regulations are often complex, rigid, and incongruent with seasonal or agricultural cycles. The slow or erratic disbursement of funds from central governments can undermine both implementation and institution building. In many countries local plans must pass through multiple levels of review—a process that creates delays and discourages effective participation in planning and management. Regulations, norms, and incentives in national civil service systems can make it extremely difficult for decentralized organizations to attract permanent employees with appropriate qualifications. Quantitative information or evaluation systems can skew incentives against participation, even in agencies that are committed to participatory management. The regulations and orientations of national ministries and agencies often concentrate authority in the capital, ignore regional and local variability, and
proscribe or severely circumscribe cooperation between field offices and other organizations at the regional or local levels.

These types of systemic control linkages often undermine the adaptability and popular participation sought by advocates of networks encompassing central and decentralized organizations. Although Leonard and other institutional analysts have greatly improved our understanding of how linkages can be more effectively designed and used in development projects, they have not adequately or satisfactorily addressed the issue of overbearing control linkages that may already exist in a project's environment. According to Leonard, designers of decentralized programs or projects must select among alternative implementing agencies and activities within the parameters of the country's basic institutional framework, which is accepted as a given. But it is often difficult to avoid pernicious control linkages—which pervade the public sectors of many countries—by simply working through another central agency or selecting an alternative set of activities. One may attempt to bypass the central government altogether and work through subnational governments or interest associations, but these usually lack technical and administrative capacity, as well as resources, for many development tasks. Where constraints in the public sector are overwhelming, Leonard advocates reliance on private voluntary organizations or the market; however, he himself recognizes that most types of rural development activities imply some significant role for the public sector.

The types of systemic control linkages just discussed can be changed only through institutional reforms at the center—a process that depends upon the mobilization of a political coalition for change. Leonard and other institutional analysts certainly recognize that linkages can enhance the political power of lower-tier organizations. Indeed, access to political power is assumed to be one of the comparative advantages of the central agencies to which decentralized agencies are linked. But the literature assumes that power will be exercised by or on behalf of local and intermediate organizations only within existing political parameters for such purposes as obtaining additional resources or defending a program from external challenges. It either ignores the frequent need to use political power to obtain basic institutional reform at the center, or argues that such change is not possible. For example, Leonard writes that "those designing programs rarely have the opportunity to influence the constitutional or basic institutional structure of a society. When ideal choices imply changes at that level they generally are simply utopian."

This gap in the literature is reflected in the field by the general failure of decentralized projects to have impacts on national-level structures and processes.

The Institutional Context

Peru is a geographically diverse country with a heritage of economic and political centralization. Wealth and power have been concentrated in Lima since the Spanish conquest, and the capital's relative demographic and economic importance has significantly increased since World War II. By the late 1980s Lima and its port, Callao, accounted for 7 million of Peru's 22 million inhabitants and for 51.2 percent of its GDP.

During most of its history the unitary Peruvian state has had three levels of territorial organization: departments, provinces, and districts. The country's 24 departments
are divided into 183 provinces, which in turn are composed of 1,772 districts. These levels have been administratively linked by a prefecture system, but until recently, elected subnational governments existed at only the provincial and district levels during periods of constitutional rule. With woefully inadequate resources and technical capacity, these local governments have played only a marginal role in economic development, accounting for less than 1 percent of public investment in recent years.

Authority and public resources have been concentrated in ministries, state enterprises, and autonomous agencies of the central government. These central entities have usually formulated and implemented policies from the top down, with little reference to local variability. Administrative systems for planning, personnel, training, procurement, information, budgeting, payments, and accounting have been highly centralized and control oriented.

There has been a strong backlash against this pattern of economic and political centralization in recent years. During the late 1970s Peru was convulsed by major strikes and demonstrations of regionally based popular movements protesting economic austerity, lack of public investment in their respective regions, and political centralization. As they emerged from hibernation after a decade of military rule, all major political parties attempted to capitalize on provincial discontent by promising increased autonomy and resources for the periphery. Decentralization became one of the major issues in the 1978-79 Constitutional Assembly and the 1980 elections, which restored Peruvian democracy. During the 1980s the emergence of the extreme Maoist Shining Path guerrilla group in one of the poorest and most neglected regions of the country focused additional attention on the decentralization issue.

The 1979 Constitution provides for elected regional governments with primary responsibility for economic development and social services in their jurisdictions. But disputes over regional boundaries and bureaucratic resistance delayed the formation of regional governments until 1990, as discussed later. In the meantime, the administration of President Fernando Belaunde (1980-85) established departmental development corporations (CORDES), which were mandated by the 1979 Constitution as transitional organizations leading to regional governments. In December 1981 the Law of Departmental Corporations (Law 23,339) created the CORDES, which began to function in 1982.

Incipient Decentralization: Departmental Development Corporations

CORDES were governed by uniform national legislation, especially Law 23,339. Each corporation had an assembly, a directorate, a president, and a general manager. The assembly was made up of equal numbers of (1) provincial mayors, who are elected to office; (2) representatives of private sector professional and economic organizations; and (3) heads of ministerial field offices, autonomous agencies, and public enterprises in the department. From its members the assembly elected three of the five directors: one each from among the provincial mayors, the professional and economic organizations, and the public agencies. The mayor of the departmental capital was an additional member of the directorate. The president of the CORDE, who was appointed by the president of Peru, was the fifth member.

Under the administration of President Alan Garcia (1985-90) each corporation established microregional offices. In parallel fashion, central ministries and agencies
deconcentrated personnel, resources, and programming authority to field offices at the microregional level. Intersectoral microregional committees were formed to coordinate the actions of the public sector, whereas the population was represented through microregional development councils composed of municipal officials, representatives of peasant and native communities, and delegates from cooperatives. Priority microregions received special financial support from the central government.

Most CORDES depended upon the central government for virtually all of their revenues. Lacking an independent financial base, the corporations were extremely vulnerable to central controls. Before the budgetary reforms of 1986–89, Congress frequently overturned CORDE investment decisions, and the Ministry of Economics and Finance (MEF) routinely curtailed or delayed expenditures authorized in the annual budget law, causing very unpredictable revenue flows to the corporations (see later discussion). CORDES were initially placed under the supervision of the Office of the Prime Minister (OPCM) and later were monitored by the Ministry of the Presidency (MIPRE). Officials from other central government agencies attempted to enforce uniform national regulations that were often inappropriate, counterproductive, and even contradictory. Each month the corporations had to fill out 18-20 detailed reports for various central offices, which provided little assistance to help them to comply with complex, constantly changing requirements. These onerous multiple controls stifled CORDE initiative, much like the economic regulations and policies of the Peruvian government have undercut private initiative in the “formal” economy and contributed to the development of a huge “informal” economy.

The corporations theoretically had broad developmental responsibilities, but in practice the sectoral orientation of national legislation tended to limit them to constructing public works. Ministries jealously protected their turf, even though their field offices usually lacked the resources to administer effective programs in the provinces. For example, the ministries resisted losing control over infrastructure with significant possibilities for cost recovery. Although CORDES accounted for one-fourth to one-third of all public investment in construction, most infrastructure projects had to be turned over to other agencies upon completion.

The corporations also suffered from a number of internal weaknesses—including overstaffing of administrative offices, low salaries, corruption, and weak planning capabilities. Most “internal” weaknesses, however, were closely related to, if not determined by, central controls. Moreover, the best-available evidence suggests that, despite all of their problems, CORDES performed better than most central agencies.

Decentralized USAID Projects and CORDES

USAID/Peru collaborated with the corporations because they were the most effective channels for reaching the provinces and because strengthening their administrative and technical capabilities increased the feasibility of regional governments and other decentralization measures. This collaboration took place through (1) the Integrated Regional Development (IRD) Project, begun in 1979 and completed in 1986; and (2) the Disaster Relief, Rehabilitation, and Reconstruction (DRR) Project, initiated in 1983 and completed in 1987.
The US$23.1 million IRD Project began as a pilot effort to test an urban-rural investment strategy in two departments of the sierra, Cajamarca and Junin. Its principal construction components were (1) irrigation systems in areas with high agricultural potential; (2) electrification systems in key market towns and rural service centers; and (3) roads linking the priority rural areas to the key market towns and rural service centers.

The IRD Project also sought to improve the planning, implementation, and revenue capabilities of CORDES, their predecessor agencies, and municipalities in Cajamarca and Junin. From 1981 through 1983 a U.S. university provided teams of resident advisers and short-term consultants in regional planning, market town development, participatory planning techniques, and revenue-generating public works. Advisers trained personnel, diffused planning concepts and methodologies, and became involved in implementation.

IRD technical assistance advisers soon found that their efforts to build capacity were severely hampered by controls imposed by central agencies. A member of the IRD technical assistance team observed:

While some useful field research can be conducted in Cajamarca and Junin, and some interesting initiatives can be taken while working in those departments, the dynamics of the Peruvian governmental system clearly emanate from the centre. Thus, many of the most interesting TA [technical assistance] efforts in Cajamarca and Junin were eventually frustrated because some of the ground rules of the existing system must be changed at [the] central government level before effective decentralized planning and project implementation can take place in peripheral parts of the country69

This frustration with central controls and other difficulties led to an overhaul of the IRD Project in 1983, when its midterm evaluation was completed and USAID/Peru underwent major staff changes. Under Amendment VI to the project agreement, US$2.35 million was reprogrammed toward new technical assistance components for corporations and municipalities throughout the country. At the end of 1983, the technical assistance contract was allowed to expire and advisers on personal services contracts were hired. There was, however, some continuity in technical assistance, as one of the leaders from the original team was retained on a personal services contract.

Meanwhile, two severe natural disasters in 1983—torrential rains and flooding in the normally arid north and drought in the south—led to additional USAID collaboration with CORDES in 15 departments through the US$65 million DRR Project. Although this project did not have formal institution-building objectives, it provided continuous technical assistance to the corporations through 9 development generalists posted in major departmental capitals. The DRR Project also provided CORDES with strategic technical assistance in engineering, finance, agriculture, environmental impact, irrigation, and housing through 11 roving specialists based in Lima.

Approximately 70 percent of DRR assistance was directed to the flood-ravaged departments of the north for repair or replacement of infrastructure that had been damaged or destroyed. In the drought-stricken south, immediate priority was given to employment-generating public works and replenishment of seed stocks. The project then emphasized components that would help farmers to better cope with drought
in the future while enhancing their productivity in the meantime: small irrigation systems, agricultural extension, and natural resource management.

Although evaluation of the IRD and DRR Projects is beyond the scope of this paper, it should be noted that both projects were reasonably successful in meeting their socioeconomic objectives. Components implemented by the corporations under the two projects generally were technically sound and cost-effective, made positive contributions to Peru's economic development, and reached economically and socially disadvantaged groups in provincial areas. Most works financed by the DRR Project—the largest and most geographically dispersed project in the history of USAID/Peru—were completed within three years of the signing of the project agreement, despite the initial inexperience of CORDE disaster unit personnel. In contrast, similar donor-assisted projects undertaken by central agencies in Peru have suffered long delays in implementation.

The Decentralization Support Network

Figure 1 diagrams the "decentralization support network" that emerged with the IRD and DRR Projects. Under both projects USAID/Peru provided financial support and extensive technical assistance directly to the CORDES. Each project also provided operational support and technical assistance to national-level organizations that assisted
the corporations. The DRR Project collaborated with the Rehabilitation and Reconstruction Division (GRR) and the Sierra Microregional Project (PMS). The Technical Assistance and Training Program for Departmental Development Corporations (PATC-CORDES) was founded under Amendment VI to the IRD Project Agreement. USAID advisers were detailed to the GRR and PATC-CORDES.

Each of these national organizations was initially a special unit associated with the Office of the Prime Minister (OPCM). The GRR and PMS were both located in the National Development Institute (INADE), a semiautonomous agency loosely linked to the OPCM that directed a potpourri of special development projects. PATC-CORDES was a special unit attached to the Bureau for CORDE Coordination (DGCC) in the OPCM itself. Exempt from the very low salary scales prevailing in Peruvian public administration, these national-level units attracted personnel who were usually above average and sometimes exceptional.

The GRR coordinated disaster efforts implemented through CORDES. Most rehabilitation and reconstruction components had been identified by the corporations in the aftermath of the disasters and then consolidated into a multidepartmental list prepared by the National Planning Institute (INP). This list was subsequently updated by the CORDES and the GRR. From the approved list, each corporation selected components to be completed in its department, subject to verification by GRR and DRR monitors that those financed by grants or loans from USAID were indeed disaster related, had basic technical studies, and met the project’s technical specifications. The GRR also coordinated implementation of components financed by the Peruvian government, provided some limited technical assistance to CORDES, supervised consulting firms, and served as the corporations’ representative vis-à-vis ministries and other central institutions in Lima.

The PMS ran a modest microregional program during the Belaunde administration with Peruvian government funding. In addition, it provided technical assistance to CORDES in Cajamarca, Cuzco, and Puno for disaster components funded by USAID and the Peruvian government. For the latter task the PMS designated a resident technical assistance coordinator in each department and established teams of agricultural specialists and civil engineers based in Lima and the departmental capitals. PMS technical assistance teams were composed of dedicated public servants with extensive experience in the departments in which they served. They identified with their clients in the corporations and devoted considerable time and effort to solving a broad range of implementation problems.

PATC-CORDES undertook four major sets of activities: (1) training of CORDE personnel; (2) provision of technical assistance for improving organizational structures and processes; (3) development of microcomputer systems designed to meet the specific needs of the corporations; and (4) basic research on CORDE organization and development strategy. The internal structure of PATC-CORDES reflected this scheme of task differentiation, with Offices of Training, Technical Assistance, Computation, and Basic Analysis.

The first three offices primarily dealt with internal deficiencies of the corporations, largely taking the existing legal framework for granted and attempting to produce results in the short and medium runs. In contrast, the Office of Basic Analysis undertook more open-ended research on CORDE organization and development
strategy. With the benefit of insights gained through training and technical assistance activities, this office produced numerous studies and policy proposals on diverse topics that usually addressed external constraints and advocated needed legal changes. These studies were broadly disseminated to public and private organizations. They formed the primary intellectual basis for the reform efforts discussed later.

Figure 2 depicts modifications in the decentralization support network that were related to the July 1985 change in Peru's government and the winding down of the IRD and DRR Projects in 1986 and 1987. Although the network lost most of its effectiveness in providing technical assistance to CORDES, it continued to play a crucial role in defining and implementing policy under the Garcia administration.

PATC-CORDES—which had been a paradigm of a supportive organization—began to lose much of its assistance orientation and technical capacity after January 1986. USAID/Peru's ability to insulate PATC-CORDES from short-run political pressures declined as the IRD Project was completed and the organization was subsumed with reduced status in the newly formed Ministry of the Presidency (MIPRE). In the jockeying for position that is a part of presidential transitions in Peru and elsewhere, the top posts in the MIPRE and PATC-CORDES were awarded to old-line loyalists of the American Popular Revolutionary Alliance (APRA), the new governing party.
This new leadership emphasized controls, rather than supportive technical assistance, in its dealings with the corporations. A reduction in real salaries in early 1986 prompted most top professionals in PATC-CORDES to accept more lucrative offers elsewhere in the public administration. They were replaced by less-qualified individuals with connections to the APRA party.

Ironically, the core of the previous PATC-CORDES leadership assumed key posts in the INP, which became the lead policy agency under the new government. From their new posts, this cadre continued to play key roles in the passage of legislation on budgetary reform and regional governments, as discussed later.

In contrast to the declining fortunes of PATC-CORDES, the PMS was given the leading role in coordinating the microregional programs that were emphasized by the Garcia administration. It was given a new name—the Special Project for the Development of Microregions in Economic and Social Emergency (PEDMEES)—and was transferred from INADE to the INP. PEDMEES consciously emulated the IRD and DRR Projects by establishing a grant system that combined financial transfers and technical assistance to high-priority microregions. Its leadership also worked closely with PATC-CORDES on reform legislation.

The GRR was phased out at the end of the DRR Project in May 1987. Most of its top management was reassigned to other projects in INADE, whereas many of its departmental coordinators took positions with other Peruvian and international agencies.

Conventional Uses Of Linkages

From the decentralization support network CORDES received financial resources, political support, technical assistance, training, seconded staff, and the services of consulting firms. These assistance linkages were a major departure from the norm in Peru. The corporations were also subject to some control linkages, especially technical reviews, financial monitoring, and auditing. Nevertheless, unlike virtually all regular agencies of the Peruvian central government, the support network gave CORDES ample spheres of decision-making autonomy. At least until early 1986, controls were used as devices for ensuring accountability, compliance with project criteria, and minimum standards, rather than as mechanisms for intervention in CORDE affairs. Moreover, unlike central government agencies, DRR, GRR, and IRD advisers invested considerable time helping the corporations to understand and comply with project regulations. CORDE presidents and general managers interviewed by the author repeatedly praised the “positive,” “problem-solving” approach of technical assistance advisers under the two projects, in contrast to what some termed the “inspectionist” attitude of officials from central government agencies.

Assistance linkages were crucial to the general success of both projects and to the institutional development of CORDES. They provided predictable flows of resources; increased the corporations’ political influence within the parameters of the political system; strengthened capabilities within CORDES; compensated for low capacity; and helped to diffuse innovations. The IRD and DRR Projects also facilitated networks at the regional and local levels. Although space limitations dictate that the discussion of conventional uses of linkages in this section must be schematic, it is based on thorough analysis.
**Predictable Resource Flows.** USAID/Peru committed funds to CORDES on an annual basis—giving the corporations a dependable resource base—but disbursements were contingent upon completion of adequate technical studies and compliance with other project criteria. Both projects dramatically increased the predictability of CORDE resources by channeling grant and loan money from USAID/Peru directly to the corporations, instead of through the Ministry of Economics and Finance (MEF). Moreover, thanks to meticulous monitoring of the MEF by the GRR and pressure from USAID/Peru, disbursements of Peruvian counterpart funding to the CORDES were much more timely and predictable than disbursements through the regular budget process.

**Empowerment.** Given its task of coordinating highly visible reconstruction and rehabilitation efforts, the GRR had regular access to political power at the highest levels of the Peruvian government. The GRR became an effective lobby for the corporations vis-à-vis central institutions and agencies. It was particularly effective in securing MEF approval for adjustments in CORDE investment budgets. CORDE officials valued their connections to the GRR, considering it to be their "consulate" in Lima.

In addition, PATC-CORDES secured several specific measures that increased the roles of the corporations vis-à-vis ministerial field offices in their respective departments. USAID/Peru also brought pressure to bear on lethargic central agencies that hindered implementation.

**Strengthened CORDE Capabilities.** The PATC-CORDES Office of Technical Assistance had significant success in helping the corporations to achieve basic organizational coherence. Training by PATC-CORDES and direct technical assistance from the DRR Project improved the ability of CORDES to compute their costs and procurement needs under the official system of cost-indexation (formulas polinomicas). In addition, the PATC-CORDES Office of Computation and DRR advisers established or vastly improved the corporations' computer capabilities. Furthermore, monitoring and training from DRR, GRR, IRD, PATC-CORDES, and PMS advisers contributed to the routinization of basic technical studies in many CORDES.

Largely owing to technical assistance from the IRD Project, the Cajamarca and Junin corporations became leaders in nontraditional CORDE activities such as participatory public works, regional planning methodology, cost-recovery techniques, and municipal development. DRR advisers helped the corporations to develop improved or new capabilities in disaster management and emergency maintenance, as well as in public works, their traditional focus. By shielding CORDES from onerous central controls and providing a predictable and supportive program context, the DRR Project also contributed to the development of a more effective, problem-oriented style of management in the corporations.

**Compensating for Low Capacity.** The GRR and PATC-CORDES both temporarily assigned personnel to the corporations to fill administrative and technical gaps until CORDE personnel could be adequately trained. IRD and DRR advisers and PMS technical assistance teams also sometimes performed general trouble-shooting functions that the corporations could be expected to eventually assume. In addition, the GRR helped CORDES learn how to utilize effectively consulting firms, especially in certain technical areas where the corporations had little experience and limited prospects for developing expertise.
Diffusion of Innovations. Vertical linkages facilitated not only the diffusion of expertise from the center, but also the spread of innovations inspired by practical experiences in peripheral areas. Indeed, the most important advances in investment prioritization techniques, cost-recovery methods, and computer programming emanated from research or applications in the field by CORDES or their USAID advisers. Regional and national workshops sponsored by PATC-CORDES allowed the corporations to share ideas and to adopt innovations from other departments.

Regional and Local Networks. USAID projects helped CORDES to establish mutually beneficial linkages with other organizations in their environments. The DRR Project facilitated cooperation between corporations and field offices of central government agencies. In addition, it strengthened private voluntary organizations (PVOs) and their working relationships with CORDES. The IRD Project reinforced the roles of local organizations in component selection, implementation, and maintenance.

Unconventional Uses of Linkages: Institutional Reform

Notwithstanding the achievements of the IRD and DRR Projects, Peruvian and USAID managers in the decentralization support network reached the conclusion that fundamental institutional reform at the center was a prerequisite for the long-term development of the corporations and future regional governments. Where possible, they tried to persuade central agencies to make changes in their administrative regulations, policies, or operating procedures that would facilitate CORDES development. Major reforms, however, could not be achieved through persuasion alone. Extensive lobbying efforts by the decentralization support network helped to pass a series of budgetary reforms that favored the corporations and their microregional offices. In addition, the network played a very important role in converting CORDES into more autonomous and democratic regional governments.

Learning from Training and Technical Assistance Experiences. PATC-CORDES training and technical assistance activities devoted extensive attention to synthesizing, interpreting, and diffusing the requirements of various central agencies. Given the susceptibility of CORDES to central controls, such a focus was necessary because lack of compliance could lead to legal problems or sanctions. Even when the corporations were already capable of complying, PATC-CORDES activities greatly reduced the costs of keeping up with numerous and ever-changing regulations emanating from different central agencies.

But PATC-CORDES was by no means a passive conveyor of orders from the center: its training coordinators actively encouraged critique of central regulations and suggestions for improvement. While preparing or carrying out training exercises, coordinators and participants often uncovered deficiencies or contradictions in central regulations, which PATC-CORDES brought to the attention of the issuing agencies.

Bureaucratic Reorientation. One especially innovative tactic employed by the PATC-CORDES Office of Training was collaboration with central agencies responsible for administrative regulations. The aim was threefold: (1) to draw on central expertise, especially for authoritative interpretations of regulations; (2) to "sensitize" central officials to the difficulties of compliance in the provinces; and (3) to win their support for needed changes.
This technique for "bureaucratic reorientation" was particularly successful in the case of the Accounting and Treasury Bureaus in the MEF. Top officials from these bureaus participated in PATC-CORDES research, helped to plan numerous training exercises, and often contracted to act as instructors. After leading training exercises in the provinces, these officials frequently simplified or modified their directives to accommodate better the conditions faced by CORDES. They also helped to draft over 30 administrative and accounting procedures that were designed especially for the corporations. Gradually they began to support more fundamental reform of national budgetary regulations.

Budgetary Reform. The budget process was the primary target of criticism at various seminars and workshops organized by PATC-CORDES. Managers and professionals in the corporations argued that it was impossible to achieve coherent programming without a predictable flow of resources and some flexibility in reprogramming and procurement. At a national workshop in early November 1984, CORDE presidents and general managers recommended specific modifications to the 1985 annual budget law that was then being debated in Congress. The Bicameral Budget Committee (CBP) of Congress, however, tabled the reform proposals after strong pressure from the Budget Bureau in the MEF.

The July 1985 change in government gave new impetus to the reform effort. The incoming Garcia administration decided to increase public spending to help reactivate the economy—undercutting MEF opposition to budgetary reform on grounds of expenditure control—and emphasized "decentralization" at the rhetorical level. With input from various corporations, the INP, and the PEDMEES, the PATC-CORDES leadership revised and updated the platform of proposed budgetary reforms, incorporating a set of proposals on microregions in light of the Garcia administration's priorities.

The new administration appointed a former PMS official to the second-highest post in the INP, which became the lead policy agency under the new government. This official assembled a team of current and former officials from PATC-CORDES and PEDMEES to negotiate with the MEF and the CBP during the process to approve the 1986 budget law. Within the MEF, the director of the Treasury Bureau, who had closely collaborated with PATC-CORDES training activities, also strongly supported reform. Together this reformist coalition obtained some significant changes in the 1986 budget law that favored CORDES and microregions.

The negotiations over the budget laws for 1987, 1988, and 1989 were similar, though former PATC-CORDES personnel in the INP provided the leading impetus for change. Significant additional reforms were incorporated in the 1987 budget law. The 1986 and 1987 reforms were maintained in the 1988 and 1989 laws, which also strengthened provisions for local procurement. More autonomous regional governments then replaced the corporations in the 1990 budget, as discussed later.

The budgetary reforms asserted CORDE autonomy in investment selection, led to more flexible disbursement procedures, increased the corporations' discretion in reprogramming, and gave rise to more appropriate procurement procedures. The remaining discussion in this subsection summarizes the substantive impacts of these reforms, contrasting budgetary practices before and after 1986.
Greater Autonomy in Investment Selection. Before 1986 CORDE investment plans were frequently overridden by the central government. When passing the annual budget law, Congress often changed specific projects in the corporations’ budgets. Indeed, in some departments over half of investment expenditures were centrally determined. Centrally inserted projects often lacked technical studies and, in some cases, could not even be identified by the CORDEs. Furthermore, after each quarterly evaluation of budgetary implementation, the MEF unilaterally reduced CORDE budgetary authorizations that it considered to be “excessive.”

Beginning in 1986, successive budget laws required congressional approval of any reductions in the corporations’ budgetary authorizations. Moreover, in his 28 July 1986 independence day speech, President Garcia announced that CORDEs would select their own investments in the future. Consequently, beginning in 1987 the annual budget laws provided each corporation with a lump sum for capital expenditures, which it then disaggregated into specific projects. Thus, Congress no longer determined specific CORDE investments, though the corporations continued to depend on transfers from the central government.

More Flexible Disbursement Procedures. Before 1986 CORDES had to request the MEF’s permission each month in order to make commitments from their budgets. The amounts approved by the MEF through monthly commitment schedules (calendarios de compromisos) were almost always less than those needed to complete expenditures authorized by the annual budget law. Furthermore, the MEF often made additional cuts when approving payment (autorizacion de giros).

These practices severely limited the ability of the corporations to achieve coherent programming. The MEF not only curtailed authorized expenditures, but it also specified the distribution among 12 expenditure categories in the inflexible commitment schedules without regard to CORDE programming requirements. Given long delays in the commitment and payment processes, many contractors and suppliers refused to provide their services or products. Moreover, the MEF delayed the bulk of disbursements to the corporations until the end of the year, when efficient use was hindered by insufficient time and the rainy season in the sierra.

The 1986 budget law established a trimonthly commitment schedule with a global ceiling (rather than rigid categories) for capital expenditures. This system facilitated more coherent programming since CORDES knew their levels of spending for three-month periods and they could shift amounts among different projects. In addition, the corporations could modify commitment schedules within general guidelines. Even more important, beginning with the 1987 budget law, payment became automatic for the full amount in the commitment schedule.

Greater Discretion in Reprogramming. Before 1986 all reprogramming among projects by CORDES had to be approved by the CBP and the MEF’s Budget Bureau—a very tedious and lengthy process under the best of circumstances. In the 1986 budget law, the corporations gained authority to reprogram funds among most projects in priority microregions. Beginning with the 1987 budget law, this discretion was extended to almost all projects within CORDE jurisdictions. Central approval remained necessary only when reprogramming affected the handful of large projects with detailed preinvestment studies.
More Appropriate Procurement Procedures. Before 1986 the corporations were subject to uniform national procurement regulations that did not take into account the difficulties of doing business in the interior. CORDES often failed to attract the requisite number of qualified suppliers or contractors when they called for bids on purchases or public works. The rigidity of centrally mandated procurement procedures also made it extremely difficult, if not impossible, to acquire materials from PVOs, peasant communities, and other participatory organizations involved in the implementation process. Indeed, many corporations conducted most of their direct purchasing in Lima in order to facilitate compliance with central regulations.

The 1986 budget law mandated the National Public Administration Institute (INAP) to draw up a special set of more flexible procurement regulations for CORDE investments in priority microregions. These regulations were drafted by a sympathetic INAP official who had collaborated closely with PATC-CORDES. In accordance with a provision in the 1987 budget law, this same official drafted a very general framework for procurement of all goods and services by corporations and municipalities, with input from the latter organizations. Within this framework, each CORDE and local government was able to adopt more specific regulations that took local circumstances into account.

Beginning in 1986, budget laws and regulations increasingly encouraged procurement and interorganizational cooperation at the local level. Local suppliers were given preferences. Moreover, the corporations and other public agencies were allowed to accept available documentation or sworn affidavits from leaders of municipalities and grass-roots organizations for expenses incurred in cooperative projects.

Comprehensive Reform: Regional Governments. In their roles as advisers to congressional committees on decentralization from 1983 to 1985, PATC-CORDES and PMS officials drafted the first version of the Basic Law of Regionalization, which provides a framework for regional governments. From posts in the INP, these same officials were the primary architects of a later version of the Basic Law that was passed by Congress and promulgated by President Garcia in March 1987 as Law 24,650. They also helped draft specific laws creating 11 regional governments that were passed in 1988 and 1989. Regional elections, held in November 1989 and April 1990, produced a new cadre of regional leaders with increased legitimacy and clout in the political system.

In the waning days of the Garcia administration, most activities of the central ministries were transferred to the regional governments, along with 25 state enterprises and 33 special projects (including large-scale irrigation and hydroelectric works). But the administration of President Alberto Fujimori (1990-95) has attempted to slow the process of regionalization, despite strong support in Congress for regional governments from all major political parties. For example, in December 1990 the president attempted to line-veto 15 articles in the 1991 budget law, including a constitutionally mandated provision that channeled petroleum revenues to oil-producing regions. In January 1991, convoking itself in special session for the first time in Peruvian history, Congress reinstated the original legislation. Fujimori then tried to suspend some of the disputed articles with a presidential decree, only to have Congress reinstate them once again.
Although President Fujimori may continue to place formidable hurdles in the path of regionalization, the political momentum for additional measures favoring regional governments appears to be irreversible. Putting aside partisan and regional rivalries, the 11 regional presidents have formed a powerful provincial pressure group. In addition, “most congressmen now keep a sharp eye on their regional constituencies, and act across party lines as part of a lobby for their respective regions.” Congress has overturned presidential decrees that constrain regional governments and has begun to consider legislation that would regionalize major taxes.

In the future, intergovernmental relations are likely to be defined through a long, incremental process of experimentation, confrontation, and compromise. This process will be influenced by privatization and structural adjustment policies that are now just beginning to take shape. In the long run, however, regional governments can be successful only if the country reverses the economic decline and terrorism that racked it during the 1980s.

Conclusions

Four major conclusions can be extrapolated from the preceding analysis.

First, and most straightforwardly, this case study confirms the importance of assistance linkages for the conventional objectives of expediting implementation, building capacity, and compensating for organizational weaknesses. These findings support the major conclusions of Leonard and other institutional analysts who have examined the role of linkages in development. Indeed, assistance linkages appear to be especially important in control-oriented public sectors, such as Peru’s.

The second conclusion, however, challenges the conventional wisdom. The preceding analysis shows that vertical assistance linkages formed initially and primarily for the purpose of resolving administrative or technical weaknesses can also help provide the knowledge base and political support for key institutional reforms that facilitate decentralization. As Cochrane points out, reform of national administrative processes requires immersion in detail. Training and technical assistance activities under the IRD and DRR Projects provided a wealth of information about the repercussions of central regulations and useful insights regarding reform. Regional and national training exercises sponsored by PATC-CORDES not only diffused substantive knowledge but often served as consciousness-raising experiences when managers and staff from different corporations found that they faced similar political obstacles. The budgetary reforms achieved by the decentralization support network were prerequisites for the institutional development of CORDES, which in turn greatly strengthened the case for stronger regional governments. Drawing on their “hands-on experiences,” leaders of the decentralization support network played a key role in drafting legislation for more autonomous and democratic regional governments.

Third, USAID/Peru experience suggests an alternative strategy for selecting collaborating national agencies in highly centralized political systems. In such a context, politically powerful agencies at the center are likely to overemphasize controls and unlikely to have decentralization as a high organizational goal. But politically marginal agencies are unlikely to be effective in serving decentralized organizations—whatever their level of commitment to a project or program. An appropriate strategy
under these circumstances is to establish or reinforce project-related units within key national-level agencies, such as the Office of the Prime Minister. The strategic location of such units increases their access to political power, whereas their project-related status facilitates an assistance orientation and helps the donor insulate them from counterproductive political and administrative pressures. Such a strategy does not replace Leonard’s emphasis of organizational commitment to the goals of a project, which is a sine qua non for effectiveness. It does, however, suggest that, at least in highly centralized contexts, access to political power is an equally important criterion for selecting national agencies.

The recent literature on institutional development is skeptical about project management units (PMUs), primarily because their use appears to be in direct conflict with the goal of sustainability. But sustainability is never certain and successful strategies for sustainability may vary by task and institutional context. Leonard and other linkage analysts stress that an assistance orientation is particularly difficult to sustain because it is costly for the supportive organization. Thus, donors cannot easily institutionalize an assistance orientation in any national-level organization, even established ones. It is particularly difficult to change the orientation of control-oriented agencies without using project units.

The chief weakness of both the IRD and DRR Projects was a lack of foresight regarding the postproject futures of the supportive national-level units that assisted the corporations—the GRR, PATC-CORDES, and the PMS. But project agreements can stipulate that the supportive project unit remain in some form after completion of the project. Although organizational survival is not tantamount to sustainability—as demonstrated by the case of PATC-CORDES—the prospect of permanence improves the odds of institutionalizing an assistance orientation. The project unit can even be used to change the orientation of the overall agency of which it is a part. Even if it is phased out or becomes ineffective after the end of donor support, a national-level project unit may contribute to sustainability if it can help abolish or reform counterproductive central controls.

Fourth, USAID experience in Peru demonstrates that linkages can be used by international donors to support institutional reform while respecting the self-determination of recipient countries. On the one hand, USAID established the decentralization support network primarily to increase the effectiveness of its projects, but the network also played a crucial role in the enactment of institutional reforms. On the other hand, the demands articulated by the decentralization support network were logical outgrowths of the country’s constitutional tradition and recent government policies, rather than foreign ideological transplants. USAID-supported linkages served as an important catalyst; however, the impetus for reform came from Peruvians themselves.

NOTES

1. The acronyms used for Peruvian organizations throughout this article are derived from their official names in Spanish.

2. Of special importance are Paul Dillon, Sistema de priorización de inversiones, 2d ed. (Lima: PATC-CORDES, 1986); Ignacio Franco Temple, "Algunos problemas cuyas soluciones estan fuera

Other documents reviewed are listed in Appendix A of Gregory D. Schmidt, "USAID Assistance and Departmental Development Corporations in Peru. Context, Project Experiences, and Future Prospects" (USAID/Peru, Lima, 1985), and the bibliography of idem, Donors and Decentralization in Developing Countries: Insights from AID Experience in Peru (Boulder, CO, San Francisco, and London Westview, 1989).

3 During May—July 1985, March 1987, and July—December 1989 the author interviewed 23 officers and professionals in USAID; 10 officials in PATC-CORDES; 8 officials in the PMS (later called PEDMEES); 3 officials in the GRR; 6 officials in other national-level agencies in Lima, 52 officials and professionals from CORDES in the departments of Cajamarca, Junin, Lambayeque, Piura, Puno, and Tacna, 18 leaders of other public and private organizations in these departments, and members of 2 peasant communities in the Department of Puno. There were 25 key informants interviewed more than once. Of these, 12 were consulted 3-5 times, and 7 conversed with the author more than 5 times.


5 Peruvian legislation (i.e., laws, legislative decrees, and supreme decrees) is cited by sequential number and may be found in the government newspaper, El Peruano, and standard Peruvian legal compendia.


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137, 161, 163-64, 175-76, in Developing Countries, in Rural Development: or Shall We Eliminate the Bureaucrats and Get On with the Job? (Chicago, IL: University of Chicago Press, pp.

and World Bank Experiences, Experience

Marshall, Institutions of Rural Development for the Poor,

Leonard and Marshall, Institutions of Rural Development for the Poor.

Uphoff, Local Institutional Development


13. This article primarily cites Rondinelli, Nellis, and Cheema, Decentralization in Developing Countries, the most comprehensive synthesis of decentralization experience in the Third World. Many of the same arguments also can be found in the other publications listed earlier in note 14.


15. This framework is developed most completely in Leonard, “Analyzing Organizational Requirements,” pp. 1-37, which is cited in note 6. Many of the same arguments are also cogently presented in David K. Leonard, “Interorganizational Linkages for Decentralized Rural Development: Overcoming Administrative Weakness,” in Cheema and Rondinelli, Decentralization and Development, pp. 271-93.

16. This article primarily cites Rondinelli, Nellis, and Cheema, Decentralization in Developing Countries, the most comprehensive synthesis of decentralization experience in the Third World. Many of the same arguments also can be found in the other publications listed earlier in note 14.


18. See Uphoff, Local Institutional Development, pp. 109, 137


27. Rondinelli, Nellis, and Cheema, *Decentralization in Developing Countries*, p. 9.
28. These four modes are defined and discussed in ibid., pp. 9-26. In "Analyzing Organizational Requirements," pp. 28-34, Leonard provides a more complex typology for the purpose of development programs oriented to the rural poor.
29. For a synopsis of arguments in favor of decentralization, see Cheema and Rondinelli, *Decentralization and Development*, pp. 15-16; and Rondinelli, "Government Decentralization in Comparative Perspective," pp. 135-36.
30. For the best survey of decentralization experiences in different areas of the developing world, see the collection of articles in Cheema and Rondinelli, *Decentralization and Development*.
39. Ibid.
43. Rondinelli, "Decentralization of Development Administration in East Africa," p. 103.
46. Rondinelli, Nellis, and Cheema, *Decentralization in Developing Countries*, p. 58.


49. For further discussion of CORDES, see especially Franco Temple, “Algunos problemas fuera del alcance,” pp. 5–104; and Schmidt, Donors and Decentralization, pp. 29–32.

50. Leonard, “Choosing among Forms,” p. 193. On the other hand, Leonard argues that linkages can have a profound impact on the periphery. They may be employed by a progressive center to increase the power of the rural poor vis-a-vis recalcitrant local or intermediate elites, or by a rapacious center to exploit the periphery. See ibid., especially pp. 195–200, 214–15, 223. Also see Uphoff, Local Institutional Development, pp. 209–13.


54. Leonard, “Choosing among Forms,” p. 193. On the other hand, Leonard argues that linkages can have a profound impact on the periphery. They may be employed by a progressive center to increase the power of the rural poor vis-a-vis recalcitrant local or intermediate elites, or by a rapacious center to exploit the periphery. See ibid., especially pp. 195–200, 214–15, 223. Also see Uphoff, Local Institutional Development, pp. 209–13.

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73. Also under Amendment VI, the IRD Project’s components for municipal planning and revenue generation in Cajamarca and Junín were supplemented by technical assistance for municipalities throughout the country via the Comprehensive Technical Assistance and Training Program for Municipalities (ATI) in the National Institute for Municipal Development (INFORM).


76. See PATC-CORDES, *Plan, actividades y resultados*.


78. See PATC-CORDES, “Informe.”

79. The discussion of efforts to achieve budgetary reform in the following paragraphs is largely based on interviews with five prominent actors in the process who worked for PATC-CORDES, PMS/PEDMEES, and the INP. See also Franco Temple, “Algunos problemas fuera del alcance,” pp. 117–27.

80. The format and proceedings of the national workshop are summarized in PATC-CORDES, *La gerencia y la administracion publica*.

81. After late 1988 the impact of these reforms was somewhat diluted by the effects of hyperinflation, which had a detrimental impact on the entire public sector. Nevertheless, the reforms were maintained and deepened, even though renewed pressures to contain public spending might have led to the sort of indiscriminate, counterproductive controls that existed before 1986.

82. See Legislative Decree 316, arts. 56–57.

83. See Law 24,422, arts. 56–57; Legislative Decree 398, arts. 59–60; Law 24,767, arts 59–60; and Law 24,911, arts 59–60.

84. See Article 14 in Legislative Decree 398, Law 24,767, and Law 24,911.


86. The changes in disbursement procedures outlined in this paragraph can be found in Law 24,422, arts. 14, 84; Legislative Decree 398, arts. 21, 83–84, Law 24,767, arts 21, 82–83; and Law 24,911, arts. 21, 82–83.

87. The discussion of reprogramming under this heading is based on Legislative Decree 316, especially arts. 49, 51; Law 24,422, especially arts. 49, 89; Legislative Decree 398, especially art. 89, Law 24,767, especially art. 88, and Law 24,911, especially art. 87.

88. This discussion of procurement is based on Legislative Decree 316, especially arts. 25–26, 28, 30, 37–38; Law 24,422, especially arts. 90, 93–94, 95, 103, 138, Legislative Decree 398, especially arts. 85–88, 91–93, 181; Law 24,767, especially arts. 84–87, 90–92, 179; Law 24,911, especially arts. 84–86, 89–91, 104; Supreme Decree No. 008-86-VC; Supreme Decree No. 177-86-BF; and Supreme Decree No. 082-87-PCM.

89. For discussion of the process by which regional governments were established, as well as their organization, powers, and resources, see Schmidt, *Donors and Decentralization*, pp. 69–71, 75–77, and especially idem, “Regional Governments in Peru: Transcendental Reform or Electoral Demagoguery?” (Paper delivered at the Fifteenth International Congress of the Latin American Studies Association, Miami, 5 December 1989).

90. These 11 regions cover the entire country, except for Lima and Callao, which will form 1 or 2 special regions. In March 1991 the jungle Department of San Martín, a major coca-growing area and a stronghold of the Tupac Amaru Revolutionary Movement (MRTA), voted to secede from the Victor Raul Haya de la Torre Region.

91. In marked contrast to CORDES, the regional assemblies do not have bureaucratic representatives. They are composed of members directly elected by the population (40 percent), provincial mayors elected through municipal elections (30 percent), and representatives of interest organizations selected through a system of electoral colleges (30 percent). Moreover, whereas the presidents of the corporations were selected by the president of Peru, the presidents of the regional governments are elected by the regional assemblies.


95. According to the Constitution and the Basic Law of Regionalization, regional governments are to receive income from taxes on natural resources, sales, income, and property. They also are supposed to receive progressively increasing transfers from the central government, as well as income from other sources.

