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USAID ASSISTANCE AND DEPARTMENTAL DEVELOPMENT CORPORATIONS IN PERU:

Context, Project Experiences, and Future Prospects

A Report Prepared for USAID-Peru Under Purchase Order DR-50-85

by

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August 9, 1985
Lima, Peru

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List of Acronyms

APRA	American Popular Revolutionary Alliance (governing political party in Peru after 28 July 1985)
CER	Peruvian Center for Regional Development Studies
CIPA	Center for Agricultural Research and Extension
CODE(S)	Departmental Development Committee(s)
CORDE(S)	Departmental Development Corporation(s)
CORDECAJ	Departmental Development Corporation for Cajamarca
CORDEHUANCAVELICA	Departmental Development Corporation for Huancavelica
CORDEJUNIN	Departmental Development Corporation for Junín
CORDELAM	Departmental Development Corporation for Lambayeque
CORDELORETO	Departmental Development Corporation for Loreto
CORPIURA	Departmental Development Corporation for Piura
CORPUNO	Departmental Development Corporation for Puno.
CORDETACNA	Departmental Development Corporation for Tacna
CORDEUCAYALI	Departmental Development Corporation for Ucayali
DRR	Disaster Relief, Rehabilitation and Reconstruction
FNDE	National Economic Development Fund
GEDECO	Community Development Division of CORPUNO
GRR	Rehabilitation and Reconstruction Division of INADE
INADE	National Institute for Development
INAF	National Institute for the Expansion of the Agrarian Frontier
INAP	National Institute for Public Administration
INDA	National Institute for Agroindustrial Development

INFOM	National Institute for Municipal Development
INP	National Planning Institute
IRD	Integrated Regional Development
MEF	Ministry of Economy and Finance
ORDE(S)	Regional Development Organization(s)
ORDENORTE	Regional Development Organization for Piura and Tumbes
ORDESO	Regional Development Organization for the Southeast
ORDETAM	Regional Development Organization for Tacna and Moquegua
ORDEZA	Regional Organization for the Affected Zone
PATC-CORDES	Technical Assistance and Training Program for Departmental Development Corporations
PID	Project Identification Document
PIRR	Comprehensive Program for Rehabilitation and Reconstruction
Plan MERIS	Plan for Improvement of Irrigation in the Sierra
PMS	Special Project for Microregions in the Sierra (Division of INADE)
PRODERIN	Project for Integrated Regional Development
PVOs	Private Voluntary Organizations
SINAMOS	National System for Social Mobilization
UFRD	Urban Functions in Rural Development
USAID	United States Agency for International Development

In recent years USAID has identified institutional development as one of four leading elements of its assistance strategy, stressing that "investments in national public institutions must be balanced both by the establisiment of decentralized institutions at regional and local levels and by encouragement to the private sector."[1] In Peru the need for decentralization to the regional level within the framework of a unitary state is widely understood. Under the 1979 Constitution and Law 23339 of December 1981, Departmental Development Corporations (CORDES) were re-established as transitory institutions leading to regional governments. Although this report will show that external constraints and internal weaknesses hinder CORDE development, these corporations are potentially the "guiding institutions" (entes rectoras) at the regional level. CORDES or regional governments could allow representatives from interest groups and municipalities to provide input into an effective system of regional planning, which in turn could orient the activities of the public sector within their jurisdictions and support the activities of the private sector.

USAID-Peru has worked with Departmental Development Corporations and the departmental agencies which preceded them through two major projects--the Integrated Regional Development (IRD) Project (527-0178), initiated in 1979, and the Disaster Relief, Rehabilitation and Reconstruction (DRR) Project (527-0277), begun in 1983. These projects not only have been important impetuses for decentralization in Peru, but they also provide a rich context from which more general lessons can be drawn.

Having explicit institution-building objectives, the $23 million IRD Project is the first effort to test the "urban functions in rural development" (UFRD) approach to regional development in a comprehensive manner. In contrast, the purpose of the $60.2 million DRR Project is to support recovery from natural disasters, rather than to build institutions or to test a development strategy. Although it is frequently argued that decentralization slows project implementation, the DRR Project is the largest project ever financed in Peru by USAID and has a life span of only three years from the signing of the project agreement.

This report provides background on CORDES, evaluates the intended and unintended institutional impacts of the IRD and DRR Projects on CORDE development, and analyzes future prospects for USAID development assistance involving CORDES. It is primarily based on interviews with key personnel of USAID-Peru, the Prime Minister's Office, the National Institute for Development (INADE), and CORDES in the departments of Cajamarca, Junin, Lambayeque, Piura, Puno, and Tacna. The first two departments have received assistance for the duration of the IRD Project, while CORDES in all departments listed except Junin have received support from the DRR Project. Given the importance of agriculture in the announced plans of the incoming APRA government, the consultant also interviewed officials from the agriculture sector in four of the six departments visited; members of water users' associations in Junin and Tacna; and members of peasant communities in Puno. Appendix A provides a list of persons interviewed.

Interviews were buttressed by documentation treating the context, organization, and outputs of the projects and the CORDES (see Appendix B); the consultant's work on pre-1980 regional development institutions;[2] the research of José M. Garzón on past and present decentralization experiments;[3] and the final evaluation of the IRD Project prepared by a team led by Eric Chetwynd, Jr. and Patricia W. Salinas.[4] The consultant also benefited from conversations with Garzón, interaction with the IRD evaluation team, and attendance at a conference on decentralization co-sponsored by USAID and the Peruvian Center for Regional Development Studies (CER).

Successive sections of the report (1) analyze continuity and change in regional administration before 1982; (2) provide background on current CORDES; (3) evaluate the institutional impact of the IRD and DRR Projects on the CORDES; (4) explore the prospects for future USAID assistance involving CORDES; and (5) summarize conclusions and recommendations.

1. Continuity and Change in Regional Administration, 1950-1981[5]

In evaluating the institutional impact of the IRD and DRR Projects on CORDE development it is necessary to understand the operation and orientations of the corporations before the interventions. This is not a straightforward consideration. On the one hand, CORDES did not even exist at the beginning of the IRD Project, and they had been in operation for barely a year at the onset of the DRR Project. On the other hand, there is some continuity between earlier departmental or regional agencies and CORDES. Analysis of this experience sheds considerable light on some key contemporary issues.

1.1. Territorial Organization and Intermediate Development Agencies

Peru is a unitary state with three levels of territorial organization: 24 departments (plus the Province of Callao which has special status), 177 provinces, and over 1700 districts. Departments are administrative rather than governmental units, as elected municipal governments exist at only the provincial and district levels.

The 1933 Constitution outlined a system of elected Departmental Councils, but these were never implemented. The 1979 Constitution, in effect today, calls for the establishment of regional governments, but does not define the regions. Future regions could be based on existing departments, group more than one department, or not respect current departmental boundaries.

Re-established in 1982, the Departmental Development Corporations (CORDES) are the latest in a series of Peruvian development agencies operating between the national and local levels with a public works orientation:

> the National Economic Development Fund and affiliated Departmental Public Works Boards which were founded in 1956 (Public works boards had been established earlier on an ad hoc basis in some departments and provinces.)
>
> earlier Departmental Development Corporations (sometimes called Rehabilitation and Reconstruction Boards) organized on a department by department basis during the 1950s and 1960s, and often absorbing the Departmental Public Works Boards
>
> the regional offices of SINAMOS, the military government's social mobilization agency, which functioned from 1971 to 1978
>
> the Regional Organization for the Affected Zone (ORDEZA), an earthquake relief and reconstruction agency founded in 1973
>
> Regional Development Organizations (ORDES) formed during 1977-1979, whose jurisdictions covered 15 of the then 23 existing departments
>
> Departmental Development Committees (CODES) founded after 1978 which were most important in departments not having ORDES

There is considerable continuity in the functions and personnel of these various agencies. While their activities vary considerably over time and space, construction of public works has remained their core concern. In the six CORDES visited, many informants had worked for SINAMOS during the 1970s and a few had begun their careers with the Departmental Development Corporations and Public Works Boards during the 1960s.

While natural disasters often served as important catalysts for decentralization to the departmental and regional levels, the scope and character of these decentralization initiatives have been influenced by

the type of regime in office (civilian or military), the strength of governing political coalitions, and the scale and organization of the central government. Over time these factors have interacted to influence the amount of administrative and financial dependence on the central government; relations between decentralized organizations and the field offices of the national government; patterns of political influence in CORDES; and the degree and distribution of public investment channeled through intermediate organizations. The overall picture is that of diminishing "institutional space" for the development of decentralized agencies at the departmental or regional level.

1.2. 1956-1968: Decentralization from a Fragmented National Administration

During the 1956-1968 period the Peruvian state was characterized by severe budgetary and fiscal fragmentation at a time when the balance and intensity of partisan competition under a constitutional regime increased the political importance of the provinces. Most of the domestically-funded public investment budget was allocated by earmarked taxes to departments of central ministries, autonomous agencies, and specific programs and projects. The Treasury Bureau controlled only a small portion of income and expenditures, as various private and public entities collected taxes and paid out obligations with little or no central coordination.

In this context natural disasters--earthquakes in Cuzco and Arequipa, drought in Puno, floods in Ica--served to justify the formation of the first Departmental Development Corporations and Rehabilitation

Boards. Laws establishing these agencies provided for effective control by departmental representatives; did not place time limits on earmarked taxes funding them; and foresaw these organizations undertaking developmental activities once the tasks of rehabilitation and reconstruction had been completed.

Not surprisingly, departments which had not recently suffered natural disasters began to demand their "fair share" of regional development funds, and by 1968 corporations were established in 15 of Peru's then existing 23 departments. The proportion of direct public investment channeled through departmental-level agencies increased from 6.4 percent in 1957 to almost 30 percent in 1968. The regional distribution of this investment approximated that of the population, except for the Department of Lima whose low share reflected the very intent of the decentralist legislation.

The fragmentation of national administrative structures and the limited presence of the central government in the provinces gave the early corporations a considerable amount of "institutional space" in which to develop. While the corporations were formally subject to a number of central government controls, these were seldom exercised. The corporations successfully resisted early efforts by the newly formed National Planning Institute (INP) to bring them under rein and indeed controlled the first regional planning office set up in 1966. During times of fiscal austerity, the corporations had to sacrifice a fixed percentage of their earmarked taxes, but they suffered proportionally less than central government agencies.

Since only the ministries of agriculture, education, and health had established field office systems before the mid-1960s, corporations and public works boards were the most important public agencies in many areas. During the 1956-1968 period these regional organizations accounted for most public investment in local roads, sewerage, potable water, electricity, and small-scale irrigation. In some southern departments corporations also played important roles in providing credit and operating public enterprises.

Unfortunately, many of the projects undertaken by corporations and public works boards were of dubious value, giving them an image of waste and inefficiency. For example: two large hydroelectric plants were constructed in the Departments of Cuzco and Tacna where there was limited demand for electricity; in the altiplano department of Puno, rival towns built competing industrial parks in an area where industrialization possibilities were extremely limited; and large sports stadiums were built in small towns throughout Peru.

1.3. 1968-1975: Centralization and Sectoralization

The status and character of departmental agencies changed precipitously under the military government of General Juan Velasco (1968-1975), whose supporting military coalition was initially strong vis-a-vis the opposition. Administrative reform was an area of special consensus within the military institution; and upon assuming power, the generals rapidly restructured the public sector. The ministries and autonomous agencies were reorganized into more clearly defined sectors; all earmarked

taxes were eliminated (except those destined for the military); and all income and expenditures were channeled through the treasury in the Ministry of Economics and Finance (the caja unica principle). Although by no means all-powerful, the INP acquired authority at various stages of the budgetary and implementation processes which it used to induce compliance with national plans. These administrative reforms were followed by rapid expansion of the public sector. The state acquired numerous enterprises, increasing its share of GNP from 11 percent in 1968 to 21 percent in 1975.

The departmental corporations and public works boards were quickly brought under control through direct military supervision, elimination of their earmarked taxes, absorption of enterprises by central ministries and firms, and the expanded powers of the INP. Their share of direct public investment plummeted from 30 percent in 1968 to 11 percent in 1970.

In 1971 the FNDE, public works boards, and corporations were incorporated into SINAMOS, the government's social mobilization agency. Although many professional staff previously employed by the public works boards and corporations continued to work for SINAMOS, whose activities included the implementation of small-scale public works, the new multisectoral agency accounted for less than 5 percent of the public investment budget. After the demise of the SINAMOS experiment, the agency was liquidated in the mid-1970s, its personnel and activities being absorbed by the central ministries.

The Velasco government did not promote a system of alternative regional development organizations because it viewed sectoralization as

crucial to the initial stages of administrative reform and to the rapid completion of the so-called structural reforms in agriculture and industry. The ministries created by sectoralization--transport, industry and tourism, energy and mines, fishing, and housing--and their affiliated agencies opened up field offices in the provinces, but deconcentration was sectoral with minimal horizontal coordination through intersectoral committees and regional offices of the INP.

The major exception to this sectoral orientation was prompted by the disastrous May 1970 earthquake centered in the north-central Department of Ancash. In 1970 an intersectoral commission was established to coordinate relief and reconstruction efforts, and in 1973 the commission became an independent agency for earthquake relief (ORDEZA). Incorporating the field offices of the various ministries in the earthquake area, ORDEZA was headed by a general having ministerial rank and given independent budgetary authority.

With the earthquake and the establishment of ORDEZA the proportion of funds channeled through regional development organizations rose from 11 percent in 1970 to 23 percent in 1973-74. Unlike the earlier corporations, however, ORDEZA did not have earmarked funds and the military resisted pressures to continue a high level of support once reconstruction was completed or to expand the program to other departments. As reconstruction was completed, the agency's share of the budget began to drop during 1975 and 1976. By 1979 its successor agency received a funding share which roughly reflected the area's population.

1.4. 1975-1981: Partial Integration of Departmental-Level Administration

As the so-called structural reforms were completed during the mid-1970s, the government turned its attention to the spatial organization of the state. The Morales Bermúdez administration (1975-1980) attempted to create multidepartmental Regional Development Organizations (ORDES) which followed the general outline of ORDEZA.

In order to link resource allocation to regional planning and to overcome the compartmentalization of regional administration that was a by-product of sectoralization under Velasco, each ORDE would incorporate the INP's regional planning office and field offices of the ministries in the region under a regional director with ministerial rank and budgetary authority. Field offices were to be primarily responsible to the ORDE director, subject to the regional plans formulated by their respective ORDE, and dependent upon the regional-level organizations for supplies and equipment. However, they would continue to be responsible to their ministries on technical issues and matters of sectoral policy. Field offices were to implement projects within the ORDE budget, as well as those projects remaining in the budgets of their respective ministries.

Hoping to mobilize support for his fledgling regime, Morales Bermúdez invited public comment on the proposal for regionalization in November 1975. Most of the debate revolved around jurisdictional issues--especially the drawing of regional boundaries and the selection of regional capitals--rather than the merits of the proposed ORDES. Within the public sector many ministries opposed the draft law because

they stood to lose turf and/or their field office structure was incompatible with the new scheme.

Although the military under Velasco had previously overcome more intense and coherent opposition in implementing the agrarian and other reforms, the Morales Bermúdez government dealt from a position of declining strength and programmatic unity in the context of an increasingly severe economic crisis. Under these conditions, the president withdrew his proposal from public debate and did not attempt to pass any other general legislation on regionalization during his term. Instead, the administration proceeded to establish ORDES on an ad hoc basis, beginning in areas where there was the least intra-military and intra-bureaucratic conflict over regional boundaries. Later ORDES were generally established on a departmental rather than a regional basis.

By the end of Morales Bermúdez's term the ORDE regime covered 15 of the then 23 existing departments. Only two of the ORDES were truly multidepartmental: ORDENORTE (Piura, Tumbes) and ORDETAM (Tacna, Moquegua). ORDESO, a multidepartmental agency based in Cuzco, was split into three ORDES under pressure from the smaller departments of Apurimac and Madre de Dios.[6]

While the ORDE system was being implemented in a piecemeal manner, intersectoral departmental development committees (CODES) were set up as an interim measure. Headed by the ranking military leader in the department and advised by INP departmental offices, these committees assumed the community development functions formerly undertaken by SINAMOS and

identified "local interest projects" for implementation by the various sectors. ORDES were never established in Lima and the departments of the central and northern sierra, which continued under the CODE regime.

The ORDE system was implemented in a context of fiscal austerity resulting from a severe economic crisis, and most of the available public investment budget had already been claimed by large ongoing projects. Ministries learned to circumvent ORDES by creating centrally-administered special projects or by grouping small projects into "national" programs. Consequently, the proportion of public investment administered by ORDES and CODES remained below 5 percent.

2. CORDES: Constraints, Organization, and Operation

Under the 1979 Constitution and Law 23339 of 15 December 1981 the Departmental Development Corporations of the pre-1968 period were re-established as transitory organizations leading to the formation of regional governments. Since they began operating in 1982, these re-established corporations, known generically as CORDES, have accounted for approximately 12 percent of public investment.

As discussed below, CORDES are evolving in a context which is very different from their predecessors and, unlike the earlier corporations, are subject to uniform national legislation. Nevertheless, there is considerable variety in their operations and orientations.

2.1. External Constraints

Changes in the scale and organization of the central government and in the strength of the party in power mean that CORDES are developing in a context very different from that of the pre-1968 corporations. Whereas the earlier corporations faced a central government marked by severe budgetary and financial fragmentation in a growing economy, the CORDES have confronted a more integrated central government dominated by a strong Prime Minister's Office and a hegemonic Finance Ministry. During the 1950s and 1960s the presence of the central government in the provinces was quite limited, but beginning in the 1970s numerous field offices and public firms were established outside of Lima. Under the first Belaunde government different party coalitions controlled the executive and legislative branches giving the constituencies of departmental development agencies some leverage against the center. Enjoying absolute majorities in Congress, the second Belaunde administration (1980-1985) and the incoming APRA government (1985-1990) have little immediate political incentive to give departmental organizations more autonomy, since they could be controlled by the political opposition.

These changes in the scope and spatial organization of the central government, the political incentives for decentralization, and the economy have limited the "institutional space" for CORDE development in a number of concrete ways:

The president of the republic appoints CORDE presidents, who in turn may select key staff.

Most CORDES depend upon the central government for virtually all of their revenues. Actual revenues are quite unpredictable since the Ministry of Economy and Finance (MEF) limits or delays payments through its disbursement procedures. CORDES often receive the bulk of their funds at the end of the calendar and fiscal year when efficient use is hindered by insufficient time and the rainy season in the sierra.

CORDE budgets must be approved by the MEF and Congress, which can make changes. During implementation the requirement that these institutions must approve budgetary modifications usually results in long delays.

CORDE planning offices are often overwhelmed by onerous and ever-changing programming, budgeting, and reporting requirements imposed by Congress, the MEF, the INP, the INAP, and the Comptroller General.

CORDES must abide by a centrally-imposed freeze on hiring new personnel and very low salary ceilings which make it difficult to hire competent and experienced professionals.

CORDES are subject to uniform national legislation governing administrative procedures which are often inappropriate. For example, the regulations governing the procurement system were designed for universities and research institutes providing services, rather than for investment-oriented agencies, and do not take into account the difficulties of doing business in the interior.

The sectoral orientation of national legislation limits or hinders the range of potential CORDE activity. For example, upon completion infrastructure projects must be delivered to the appropriate sector. Field offices, which returned to ministerial jurisdiction after dissolution of the ORDES, often jealously protect their turf, even though they usually lack the financial resources to administer effective programs.

2.2 Basic Organization

Although loosely modeled on the pre-1968 corporations, CORDES are governed by uniform national legislation, especially Law 23339. All CORDES have an assembly, a directorate, a general manager, and a president appointed by the President of Peru.

The assembly is made up of equal numbers of provincial mayors, representatives of professional and economic organizations, and ministerial field offices. Although they theoretically have the final say in CORDE affairs, almost all of the assemblies are weak and ineffective. Most assemblies only meet twice a year: (1) to approve the corporation report and balance sheet from the previous year; and (2) to approve the CORDE plan and budget. Extra sessions are scheduled only by initiative of the directorate or by one third of the assembly.

The directorate is the locus of real power and is headed by the president. Another automatic member is the mayor of the departmental capital. The assembly elects the other three directors from its members--with the provincial mayors, the professional and economic organizations, and the ministerial field offices each having one representative. The directorate is responsible for the organization of the CORDE and selects its general manager.

There is considerable variation in the organization of administrative and line units within CORDES. CORDECAJ and CORDEJUNIN both have a system of microregional offices covering their departments. In the case of CORDEJUNIN there is considerable administrative deconcentration to these offices. Other CORDES visited have set up offices in specific microregions with the hope of attracting foreign aid.

The CORDES are administratively dependent on the Prime Minister's Office, which is reponsible for coordinating activities with the central government. Law 23339 also outlines a scheme for a weak ORDE-type organization encompassing ministerial field offices, but it was never implemented.

2.3. Context, Operation, and Orientation

While CORDES operate under a common legal structure and face common external constraints, there are important variations in their resources, personnel, staffing patterns, susceptibility to central interference, and developmental orientation. Key contextual and internal variables influencing CORDE development include presidential leadership, institutional inheritance, and the availability of human resources.

Personal qualities of key leaders are usually significant in Peruvian administration, as elsewhere; but presidential leadership has been especially important in the CORDES, given the weakness of the assembly. For the duration of the DRR Project, CORPIURA and CORPUNO were led by dynamic presidents who based hiring on competence rather than political affiliation. Through previous consultation or subsequent negotiation, these corporations were able to resist major alterations of their budgets by Congress. At the other extreme, CORDECAJ has been racked by severe factionalism which has led to chronic instability in the top positions of president and general manager. Its administrative offices are packed with political employees, and its presidents have passively accepted budget alterations by Congress.

Institutional inheritance is a second factor of consequence. Generally, relations with the sectors were better in departments where ORDES had previously functioned (Piura, Lambayeque, Puno, and Tacna) than where the weaker CODE model had been operative (Cajamarca, Junin). Management of institutional transitions was also important. The president of CORPIURA

selected the "best and the brightest" personnel from ORDENORTE, whereas political considerations were a significant but not exclusive factor in the selection of personnel for CORDELAM. Upon their dissolution, personnel from the INP's regional planning offices were smoothly and effectively integrated into CORPIURA and CORPUNO; in CORDEJUNIN they have been like a fifth wheel.

The general level of departmental development and the availability of human resources are also important contextual factors. CORDES in Piura and Lambayeque, for example, are much more favorably endowed with human resources than those in Cajamarca and Puno. Within these parameters, the availability and orientations of local universities are important. Piura, where until recently there was no program in civil engineering, must recruit engineers from Lambayeque and even Cajamarca. The university in Puno has agronomy and veterinary programs which are well-suited to CORPUNO's orientation.

2.3.1. Resources

While most CORDES are overwhelmingly dependent on the central treasury for income, those in Callao, Loreto, Piura, Tumbes, and Ucayali receive earmarked taxes (so-called canones or royalties) from customs and petroleum revenues. These CORDES not only enjoy a more stable source of income, but do not have to present budget modifications involving canon money to the MEF for approval.

2.3.2. Personnel and Staffing Patterns

Most CORDES visited are staffed by persons with roots in the department served. If not natives, they are married to residents and/or have resided in the department for a considerable period of time. Most have property in the department. Thus, their careers appear to be tied to regional administration, unlike personnel in some ministerial field offices studied by José Garzón.[7]

Staff size, staffing patterns, and the mix of tenured (nombrado) and contract employees varies considerably. The number of personnel in the CORDES visited ranged from 189 in Junin to 780 in Puno. Generally weak administrative offices tend to be the dumping ground for patronage employees. Administrative personnel account for over 60 percent of the employees in CORDELAM and CORPUNO, while Linn Hammergren reports that the administrative offices in CORDETACNA are understaffed.[8] While there are differences in the proportions of tenured and contract employees, the percentage of the latter is increasing in the regular programs of the CORDES as a result of a freeze on new permanent employees.

CORDE salaries are extremely low--the basic salary of an engineer is S/. 1,100,000, less than $ 100 per month. (S/. 12,000 equaled $ 100 on 15 July 1985). Low salaries, however, are somewhat compensated by a short working day--usually six or seven hours including a brief break.

Corruption is endemic in a context of low salaries and limited opportunities. Officials of some CORDES not visited have been sent to prison. Nevertheless, with the scrutiny of active local presses and

political opposition in most departments, there is little reason to believe that CORDES are more prone to corruption than central government agencies in the provinces or even in Lima. Indeed, if the assembly becomes a more viable and representative body, CORDES may even be less susceptible to corruption than national ministries.

2.3.3. Project Selection and Budgeting

Processes of project selection are broadly similar in the CORDES visited. The budget process begins when the MEF sets spending limits. Projects identified or requested by mayors, sectoral field offices, and offices in the corporation itself are consolidated into a budget proposal by the planning or programming office (or a coordinating committee in the case of CORPUNO) in accordance with vague sectoral priorities outlined by the MEF and guidelines for geographic distribution within the department specified by Law 23339 and the CORDES' own regulations. Usually, half of the investment program is destined for departmental projects and half is divided among provinces of the department in accordance with area and population. Although some commonsensical comparisons are made, alternative investments are not rigorously evaluated in a systematic manner. Departmental plans, if they exist, follow rather than precede the budget.

From the planning or programming office the proposal goes to the directorate and the assembly within the corporation and then to the MEF and the Congress--all of which can make changes. With the notable exception of CORDEJUNIN (see 3.3.1. below), few changes are made within the corporation. The MEF scrutinizes the budget for compliance with its directives and sometimes strikes ornamental projects, but generally gives

its approval to most items.

Most changes in CORDE budgets are made by Congress--whose members under the 1979 Constitution no longer control specific budget lines for their jurisdictions (iniciativas parlamentarias)--but the degree of these modifications varies from about 10 percent in Lambayeque, Piura, and Puno to an estimated 50-60 percent in Cajamarca and Junin. Those CORDES whose budgets are least susceptible to change usually have reached understandings with their congressional delegations, sometimes encouraging their input during the early stages of the budget process. The assembly and directorate of CORPUNO have refused to passively accept congressional changes and through negotiations generally prevailed to get their way. It should be noted that Lambayeque and Puno have suffered relatively minor congressional interference, even though members of opposition parties form a majority of their congressional delegations.

2.3.4. Development Orientation

CORDES and their predecessor organizations have traditionally focused on roads and urban public works--an orientation which is reinforced by the urban bias of the assembly, the predominance of civil engineers in the line units, and the frequent preemption of other activities by the ministerial field offices. The regular (i.e. non-disaster) programs of most CORDES have maintained this traditional orientation, although Law 23339 also outlines responsibilities in the areas of resource management (see 3.3.2. below), processing of natural resources, and enterprise promotion (see 4.7. below),

among others.

CORPUNO, whose line units are dominated by agronomists and veterinarians and also include social scientists, has deviated the most from the traditional pattern--emphasizing technical support for agriculture and livestock, natural resource management, and community development. CORDETACNA has invested heavily in irrigation systems, primarily to benefit the department's dairy industry.

3. Institutional Impacts of USAID Projects

USAID has worked with CORDES through two major projects--the Integrated Regional Development (IRD) Project (527-0178), initiated in 1979, and the Disaster Relief, Rehabilitation and Reconstruction (DRR) Project (527-0277), begun in 1983. While the objectives of these projects are quite different, both have employed some similar means: support for national-level agencies linked to CORDES; central funds for sub-projects meeting established criteria; special program units; and departmental and visiting advisors. Given its institution-building emphasis, the IRD Project also has included some mechanisms not utilized in the DRR Project--basic policy research and training.

The $23 million IRD Project is a pilot project designed to test the so-called "urban functions in rural development" (UFRD) approach to regional development in two sierra departments--Cajamarca and Junin. According to this approach, productivity, employment, and income in rural areas are most effectively increased by efficiently linking them to key market towns and

rural service centers. Although much of the planning methodology needed to operationalize this strategy dates from the mid-1970s, the IRD Project is the first effort to implement this approach in a comprehensive manner.

The IRD Project has had specific institution-building objectives at the municipal, regional/departmental, and national levels. As initially conceived, the project sought through provision of technical assistance, administrative support, and training to increase the capacity of CODES in Cajamarca and Junin for planning and implementing investments in infrastructure. In 1983 CORDES replaced CODES as the intermediate-level "institutional target" of the program. In 1984 under Amendment VI to the project agreement, the Technical Assistance and Training Program for Departmental Development Corporations (PATC-CORDES) was established in the Prime Minister's Office to provide technical assistance and training to CORDES throughout the country.

In contrast to the IRD Project's institution-building objectives, the purpose of the DRR Project is to support recovery from the effects of severe natural disasters which Peru experienced in 1983--torrential rains and flooding in the north and drought in the south. At the outset of the project, the CORDES--despite their recent creation and shortcomings--were correctly perceived to have comparative advantages for implementing disaster-related works. The corporations do not suffer from the sectoralization and centralization which characterize the ministerial hierarchies, and have greater technical capabilities than Cooperacion Popular, the community development organization of the Belaunde administration. A special

project arrangement, such as Plan MERIS, was not practical given the sheer number of sub-projects and components in the DRR Project and their geographic dispersion.

The DRR Project encouraged the establishment of a unit to coordinate the disaster efforts of CORDES--the Rehabilitation and Reconstruction Division (GRR) within the newly-formed National Development Institute (INADE). The GRR has approved sub-project and components, provided technical assistance, and served as the CORDES' representative vis-a-vis the ministries and other central institutions in Lima. The DRR Project also has provided technical assistance directly to the CORDES through (1) departmental advisors, who are development generalists that reside in or frequently visit most departments receiving project assistance; and (2) specialists who visit CORDES more intermitently. Although they have not sought fundamental changes in the structures, processes, and orientations of CORDES, during the process of implementation DRR Project managers found that some adjustments in the organization of corporations were desirable.

To date approximately $50 million of the $60.2 million in the DRR Project agreement has been or is being channeled through 15 CORDES. This support is in addition to approximately $85 million provided to the CORDES for emergency activities by the Peruvian government.

Both the IRD and DRR Projects have had positive institutional impacts on various aspects of CORDE development, although the character of these impacts reflects their different objectives. Successive sub-sections below analyze their approaches and impacts with respect to external

constraints, internal weaknesses, CORDE orientations, and relations with public and private entities at the departmental level.

3.1. Overcoming External Constraints: Circumvention and Reform

Since 1983 the DRR Project has shown how external constraints to CORDE development can be ameliorated in specific projects. Since 1984 under Amendment VI the IRD Project has been sponsoring basic research which systematically analyzes current limitations and proposes alternatives.

3.1.1. Circumventing External Constraints

As discussed in section 2.1., the complexity, arbitrariness, and unpredictability of national legal, budgetary, and administrative norms severely circumscribe the "institutional space" available for CORDE development. The DRR Project has shown that the performance of CORDES can improve significantly when they operate in a more predictable environment, are held to high standards by donors and national coordinating agencies, and receive both basic and strategic technical assistance to meet these standards. In providing a more predictable and supportive context for CORDE development, the DRR Project has furthered its own objective of efficiently implementing disaster-related sub-projects.

By channeling grants and loans for approved sub-projects directly to the corporations, instead of through the MEF, the DRR Project has greatly increased the predictability of CORDE funding. This disbursement channel was not without problems--for example, USAID funds remained subject to low MEF budget ceilings which did not anticipate accelerated

devaluation of the sol and to restrictive MEF regulations governing transfers among sub-projects. Through experience, however, DRR Project managers learned how to finesse most such restrictions. As a result, funds disbursed by USAID have been much more timely and predictable than those from the MEF. Moreover, the impact of MEF policies has been somewhat ameliorated by the efforts of the GRR in its role as a lobby for the CORDES.

The greater "institutional space" accorded by more predictable funding, however, has been a necessary but not sufficient condition for the improved CORDE performance discussed below. The DRR Project has insisted on the completion of competent technical studies before implementation of components, which had been the exception rather than the rule in CORDE operations. DRR departmental advisors have helped corporations to understand and comply with project criteria and thus have promoted a predictable program context. CORDE officials have known what to expect as the GRR and DRR approved successive expedientes técnicos; sub-projects and components have not been capriciously reversed or delayed by the central government as in the regular budgeting and implementation processes. As one CORDE president put it, the departmental advisor "gives me great tranquility."

The DRR departmental advisors are an impressive and dedicated group who have been given a wide margin of discretion by DRR management. Although some advisors have made unpopular decisions, all high CORDE officials interviewed, spoke very favorably of the advisor in their

department. They are particularly appreciative of the advisors' problem-solving attitude, which often was contrasted with the excessively "inspectionist" attitude of officials from central government agencies. Most officials also feel that "their" departmental advisor has served as an effective trouble-shooter vis-a-vis USAID, INADE, and other organizations in Lima. All CORDE presidents interviewed expressed a desire to have a departmental advisor in the future.

CORDE officials also value their linkage to the GRR in INADE, which some consider their "consul" in Lima. The role of GRR advisors, however, is less visible or appreciated.

This combination of predictable financial support, insistence on high technical standards, and supportive technical assistance has created an environment conducive to the development of more professional and managerial attitudes. Moreover, the DRR Project has been divided into dozens of sub-projects and literally hundreds of components, which are manageable at the departmental level.[9] This disaggregation also has provided some leeway for adjusting the rhythm of implementation to suit CORDE capabilities.

Whereas the excessive controls and petty regulations prevailing in Peruvian public administration contribute to an emphasis on not making administrative errors, the DRR Project has created a context which rewards self-starting and problem-solving. Challenged by higher standards, the generally younger and less experienced engineers working in disaster program units have consistently outperformed more experienced staff in

other units (see 3.2.1. below). "Under this program, we've done things that we didn't know we could do," commented one engineer who summed up the feelings of many. The general manager of one CORDE remarked that "higher standards and superior assistance of the DRR Project provided a great context for team-building."

The orientation of the DRR Project and the establishment of special program units also have been conducive to the development of managerial orientations. For example, CORDELAM has perhaps the most rigid administration of any corporation visited, but there is significant delegation of authority within the unit responsible for the reconstruction program. The USAID advisor to CORPIURA commented that upon his arrival meetings of the directorate were rambling and often took a full day. Now they have a fixed agenda, are more business-like, and do not last nearly as long.

While not having institution-building objectives, the DRR Project has furthered its goal of effectively implementing disaster-related sub-projects by providing a more supportive context for CORDE development. Corporations are more appropriate institutional channels than agencies of the central government for implementing most sub-projects and components. Where collaboration with other sectors is desirable or necessary, the GRR and the CORDES, rather than USAID, have borne the organizational costs of coordination. Moreover, since many sub-projects could be implemented equally as well through different institutions or mechanisms, USAID seldom has become captive to any one institutional channel.

The DRR Project has an implementation record which compares favorably with most USAID-Peru projects undertaken through central government agencies, and is one of only a few projects in the world which have efficiently moved large amounts of money over broad expanses of space.[10] The achievements of the project are impressive given the external constraints and internal weaknesses hindering CORDE development; the scale of the project, which is the largest ever financed in Peru by USAID; and the short implementation period--some two-and-a-half years from the signing of the project agreement to the termination of almost all works.

3.1.2. Providing a Basis for Reform

Although the primary objective of the IRD-sponsored PATC-CORDES is provision of technical assitance and training to CORDES throughout the country, it has begun to link this effort to the development of strategies and detailed proposals for reform. For example, the program has attempted to recruit its instructors of courses on administrative systems from the central offices responsible for the various procedures. In at least one case upon returning to Lima from teaching a course, the instructor/central bureaucrat issued a directive for simplified administrative procedures.

More generally, PATC-CORDES is attempting to use the rich experience and information generated through "hands on" training and technical assistance as the basis for proposed modifications to existing regulations

and laws in such areas as personnel, procurement, and the system for price indexing (fórmulas polinómicas).[11] The government has issued decrees drafted or inspired by PATC-CORDES which strengthen CORDE planning offices and give corporations the legal authority to collect assessments for improvements. PATC-CORDES' Office of Basic Analysis is now drafting a modified corporations law which would move the CORDES a step closer to becoming departmental-level regional governments, complementing USAID strategy in the future (see section 4).

Conferences sponsored by the Peruvian Center for Regional Development Studies (CER) with financial support from USAID (not directly from the IRD Project) have served as forums for discussion of needed legal changes and CORDE experience in general.

3.2. Overcoming Internal Weaknesses

In pursuing its programmatic goals, the DRR Project has attempted to overcome deficiencies in the CORDES by establishing semi-autonomous program units and by contracting consulting firms. Corporations also have been encouraged to implement components through private contractors, although paradoxically the establishment of special units has reinforced the advantages of forced account. The DRR Project also has provided strategically directed technical assistance in order to facilitate implementation. While the DRR Project has not sought to improve regular CORDE programming, in at least one corporation, this was a positive, unintended impact.

At different points in time the IRD Project also employed semi-autonomous and autonomous units, but this was less a strategic choice

than the result of institutional instability and inadequate institutional analysis. Instead, it has sought to address internal weaknesses of the CORDES through provision of basic technical assistance and training, initially concentrating on the development of decentralized planning capacity in Cajamarca and Junin and later broadening the geographic and substantive scope of these efforts.

3.2.1. Autonomous Units in the DRR Project

All DRR-funded CORDES visited eventually formed special units (generically called PIRR units for Programa Integral de Rehabilitación y Reconstrucción) to administer and implement their disaster programs. To its credit, DRR management did not attempt to impose such special units at the onset of the project. CORPIURA and CORPUNO took the initiative in creating their own PIRRs from the very beginning. In the other departments slow progress in implementation prompted internal and external pressures for the establishment of a special unit.

A number of factors have favored the formation of special PIRR units:

Sources of Finance. USAID's stricter technical requirements, different contracting procedures, and additional reporting processes are most conveniently handled by a single office.

Technical Requirements. In flood areas reconstruction of damaged infrastructure usually has been more technically demanding than construction of new projects.

Conflicting Priorities. When initially assigned to regular line agencies, DRR-funded sub-projects often received lower priority than sub-projects funded through the regular budget for technical, administrative, or political reasons.

Misuse of Funds. Some CORDES have viewed the DRR Project as a financial bonanza for previously planned works which they tried to include under the disaster project or to fund by diverting money, supplies, and personnel from it. The formation of PIRR units helped to insulate reconstruction and rehabilitation programs from such abuses.

Administrative Bottlenecks. The combination of complex, externally-imposed procedures and low capacity initially led to long delays in implementation by the administrative offices of the corporations. Administrative offices often gave emergency components low priority.

Given these constraints, DRR, GRR, and corporation officials had little choice but to form special program units if they wanted to get things done. In cases of slow or inadequate implementation through normal CORDE structures, USAID could threaten to cut off funds and this threat was made implicitly or explicity to several of the CORDES visited. But, again to its credit, DRR management has not attempted to dictate the actual structure of PIRR units. The PIRR units of several corporations evolved in stages--from advisory unit with no line or administrative functions, to a separate line unit, and finally to a semi-autonomous unit having both administrative and implementation functions. Thus, although their project stresses efficient implementation rather than institution-building, DRR Project management has left considerable room for institutional learning at some cost to expediency.

PIRR units come in all sizes and may dominate their CORDE or hardly be noticed. In 1984 the PIRR unit in CORDETACNA invested only S/. 3,474 billion (approximately $ 1 million) while its counterpart in Piura accounted for S/. 125 billion (approximately $ 37 million)-- about four times the amount of CORDELAM, the runner-up among CORDES visited. In the same

year employment ranged from 25 persons in Tacna to 215 in Puno. The PIRR's share of the CORDE budget varied from 22 percent in Cajamarca to over 70 percent in Lambayeque and Piura. PIRR units in Cajamarca, Puno, and Piura accounted for a quarter to a third of total CORDE employment, while in Tacna only 5 percent of corporation personnel worked in the emergency unit.

PIRR employees are on the average younger and initially less experienced than those in other line units, many being university students or recent graduates. Most PIRR personnel are hired on short-term contracts for specific sub-projects. There has been considerable continuity in contractees, as the PIRR units have attempted to reassign personnel who perform adequately to new contracts.

Without exception those CORDE presidents and general managers interviewed agreed that PIRR engineers are harder working and more enthusiastic than their counterparts in other line agencies. CORDE officials attributed this difference to USAID's higher technical standards and technical assistance; youthful enthusiasm and adaptability; and to the fact that as contract employees PIRR personnel have to prove themselves. The DRR departmental advisor in Piura, who has had extensive project experience throughout Latin America, remarked that the performance of the PIRR unit has been excellent given low salaries, the volume of work, and initial inexperience.

PIRR units in all CORDES except CORPIURA eventually became semi-autonomous, taking on responsibilities related to emergency work in areas such as supply, personnel selection, budgeting and programming,

accounting, and financial management. Although this administrative deconcentration has facilitated compliance with USAID reporting requirements, more important imperatives have been preventing diversion of project funds, supplies, and personnel; and giving emergency work administrative priority. Overall, administrative deconcentration has improved performance, although the inexperience of administrative personnel continues to be a problem in some corporations (especially CORPUNO).

The PIRR unit in CORPIURA has remained a line agency whose administrative needs are serviced by the corporation. This is possible given the greater administrative capacity in CORPIURA and the fact that most reconstruction components are implemented via contracting which is less administratively-intensive than forced account.

Relations between the PIRR unit and the larger corporation vary considerably, being cordial in Piura and Puno, somewhat strained in Lambayeque and Tacna, and very conflictual in Cajamarca. Aside from personalities, the major factors influencing CORDE-PIRR relations have been (1) the degree of congruence between organizational goals; and (2) the extent to which PIRRs are perceived to threaten or hinder the activities of other divisions. Emergency work has been the top priority of CORPIURA and the PIRR emerged as the core of the corporation. In Puno the emergency program took on activities from the normal budget, but this usually has been appropriate given the character of drought relief and its importance to the corporation's long term plans. In

Lambayeque the PIRR has been perceived as a threat to the central administration and to the line unit in charge of the normal program. Funds have been diverted from the emergency to the normal programs in Lambayeque, Tacna, and especially Cajamarca. In the latter department the head of the PIRR unit calculated that before his arrival half of the components in the reconstruction program (accounting for 30 percent of the budget) were not disaster-related.

In all CORDES except Cajamarca it appears that at least some PIRR unit personnel will be retained after termination of the DRR Project. The exact numbers will depend greatly on the leadership and orientation of the CORDE presidents appointed by the next administration and, given the current hiring freeze, on the numbers of available non-tenured slots.

Given the constraints experienced by the DRR Project, the key question for the future is not whether special line units should be established for projects implemented through the corporations, but how they might be structured so as to maximize the positive institutional impacts documented in this report. Indeed, officials in Piura and Puno volunteered proposals for replicating and improving the special unit approach.

The detached personnel (destacado) model--in which more experienced and qualified personnel from the corporation or sectors are assigned to lead temporary program units--seems to be the most promising alternative if certain conditions are met. First, USAID must hold the special unit

to high standards of technical competence, as under the DRR Project. Second, destacados must be selected by a competent individual or office responsible for completion of the special program.

The different experiences of Piura and Puno with destacados demonstrate why the second condition is needed. In Piura, the CORDE president selected destacados from the agriculture sector to work for the corporation on reconstruction of irrigation systems for a specific period of time. Thus, he gained the skills of some dedicated and competent professionals, while avoiding administrative complications that would accompany a working convenio with agencies in agriculture. In Puno, destacados from various sectors initially supplied the manpower for the rehabilitation program. In this case, however, personnel selection was left to the sectors who used the program as a dumping ground for unwanted employees. Implementation floundered until a restructured PIRR unit staffed by new personnel took over the rehabilitation program.

By employing the destacado model, training and technical assistance could be channeled to the better permanent staff and to younger contractees, who are usually more receptive than the average regular staff. There would, however, still be a need for technical assistance and training directed to key central administrative personnel and to planning and programming offices, as under the IRD Project.

3.2.2. Autonomous Units in the IRD Project

The IRD Project also employed autonomous and semi-autonomous units, but this was less a strategic choice than the result of institutional instability and inadequate institutional analysis.

At the beginning of project implementation in 1980, new organizations called PRODERINs (the Spanish acronym for Project for Integrated Regional Development) were loosely attached to the CODES in Cajamarca and Junin. As discussed in section 1.4., however, the CODES were weak transitory organizations which had been established by a discredited military regime and which under the 1979 Constitution would be replaced by CORDES. Rather than being incorporated into the CORDES in 1982, PRODERINs were given special project status and placed under the supervision of the Prime Minister's Office. The autonomy and effectiveness of the PRODERINs increased, but their separate status made a positive institutional impact more problematic in the long-run.

Concern among both Peruvian and U.S. officials and pressures from the CORDES led to inclusion of the PRODERINs' budgets within those of the corporations in January 1983 and, after a mid-project evaluation, to organizational mergers in September 1983. These mergers have been processes wrought with conflict and, although fading, the strains from this experience are still evident today in CORDECAJ and CORDEJUNIN. The higher salaries initially paid to PRODERIN personnel have greatly complicated the process of integration in both departments.

In contrast, the DRR Project has largely avoided conflict, while still alleviating the shortage of qualified staff, by paying higher salaries through INADE to a few key personnel. Some conflict has resulted from giving bonuses to PIRR personnel of selected CORDES in recognition of overtime. But in CORPIURA and CORPUNO this conflict was ameliorated by also giving bonuses to deserving staff in administrative and line units who had contributed to the reconstruction and rehabilitation programs. Using its canon money, CORPIURA also was able to award bonuses to staff in its other principal line unit.

3.2.3. Implementing Sub-Projects: Contracting, Forced Account, and Encargos

Although the DRR Project encourages implementation by private contractors, CORDES undertaking disaster-related sub-projects have displayed a preference for forced account--in Peru known as direct administration. Some sub-projects and components also have been implemented by encargos, i.e. "charging" them to other agencies which may in turn use contracting or direct administration.

Contracting has been predominant only in Piura, where about half of the disaster budget has been contracted out, about a third implemented by encargo, and the remainder undertaken by direct administration. In Lambayeque, where there are few encargos, 70 percent of reconstruction components accounting for half of the emergency budget have been undertaken by forced account. Most of CORPUNO's emergency budget was initially implemented via encargo, however, over the past year almost all new

components have been initiated by direct administration. CORDECAJ and CORDETACNA have undertaken most components by direct administration.

Most informants agree that contracting is more expensive than direct administration; but contrasting, though not mutually-exclusive, explanations were given for the perceived cost differential. Most CORDE officials argued that national legislation favors the contractors at the expense of public agencies, including the corporations. The system for price indexing (fórmulas polinómicas) permits contractors to increase the effective price of services by charging materials and labor utilized during the initial stages of implementation to the end of the contract period at a much higher price. At the same time targets for physical progress are artifically low until the very end of the contract period to minimize the likelihood of penalties for falling behind. In any case, a CORDE informant said that contractors drag out components beyond completion dates since they stand to gain from inflation, while paying only minimal fines. On the other hand, corporations making late payments to contractors face considerably stiffer penalties.

While many CORDE officials blame national legislation for the high cost of contracting, some USAID officials and an official in PATC-CORDES' training office suggested that the corporations lack the necessary skills or experience to employ existing legislation to their advantage. A more sinister explanation would be that CORDE officials are bribed not to press the corporations' legal rights.

It is also possible that all or part of the apparent cost advantages of direct administration are in fact illusory. The full costs of machinery maintenance or amortization do not appear to be taken into account by most PIRR units having their own equipment or using CORDE equipment for free or only nominal charges. Most CORDES are not accustomed to long-term capital planning, and often view donations and depreciation of equipment in terms of good or bad luck.

In any case, direct administration is considered by the CORDES to be considerably cheaper than contracting and gives them direct quality control. Direct administration also allows corporations to train staffs in line units and to serve inaccessible areas where contractors sometimes will not work unless construction is large-scale and lucrative. Engineers in CORDELAM's PIRR unit also argued that reconstruction work is especially suited to direct administration since the costs of repairing damaged infrastructure are difficult to calculate in advance. (Much of the work in Piura, where contracting prevails, has been replacement rather than reconstruction.)

Direct administration also makes political sense because in practice it can favor local suppliers. Major contracts, on the other hand, are almost always won by Lima-based firms, which has caused CORPIURA considerable grief. By requiring Lima-based firms to form partnerships with local firms, CORDELAM is pioneering an interesting approach to this problem.

The greatest impediment to implementation by forced account is lack of administrative capacity and antiquated national norms designed for agencies providing services in a context of low inflation. In a context of high inflation the costs of direct administration soar when red tape slows the purchase of materials and the payment of labor. Contracting, by contrast, is less administratively intensive. Paradoxically, by encouraging CORDES to form PIRR units which have substantially increased administrative performance, USAID reinforced the desirability of direct administration vis-a-vis contracting. It is not a coincidence that CORPIURA, the only corporation visited which has not deconcentrated administrative functions to its PIRR unit, also has the highest relative and absolute amounts of contracting.

By charging sub-projects and components to ministerial field offices and agencies, CORDES have taken advantage of underutilized technical capacity elsewhere in the public sector, at the cost of direct quality control (see 3.4.1. below). Liquidation of accounts has been a major problem because administrative capacity is also low in other agencies; they are not responsible to USAID; and their priorities and procedures are tightly controlled by head offices in Lima.

Other factors influencing the mix of contracting, direct administration, and encargos are the volume of work vis-a-vis the CORDES' capacity, the complexity and character of the component (e.g. bridges are usually contracted out), the installed capacity and competence of other agencies (e.g. relatively high in Piura, low in Puno), and the

desirability of popular participation in implementation. This last consideration was the primary reason why most IRD-sponsored components have been undertaken by direct administration in Cajamarca and Junin, although popular participation in implementation is also possible when components are contracted out to PVOs or implemented by more community-oriented organizations through encargo.

3.2.4. Consulting Firms in the DRR Project

The DRR Project has attempted to ameliorate the internal weaknesses of the CORDES by contracting consulting firms to assist with technical studies and supervision. The PMS (Projecto Especial Micro Regionales en Sierra) division of INADE has provided consultants to Cajamarca, Cuzco, and Puno, while the GRR contracted private firms for 11 of the 12 other departments with DRR sub-projects on the basis of information about their reconstruction and rehabilitation programs. In Piura and some other departments the services of the primary consultant have been supplemented by more specialized firms in certain technical areas.

The value of technical assistance provided by consultants has varied considerably, being influenced primarily by the competence and dedication of the organization contracted and the relative capacity of the CORDE. Some consulting firms have practiced "bait and switch" tactics by which impressive curriculum vitae of star personnel were initially used to win contracts, but relatively inexperienced and perhaps incompetent staff then were actually assigned to work with the CORDES.

Experiences with private firms have been positive in Tacna and La Libertad, negative in Lambayeque, and mixed in Piura. CORDECAJ and CORPUNO have had positive experiences with PMS consultants who tend to specialize more in supervision and general technical assistance than in design.

Abstracting from the significant variation in experiences, private consultants appear to have had a more positive impact in technical design than in supervision. Their contributions are most appreciated in areas where CORDES have limited expertise--irrigation canals and especially bridges. There were, however, complaints of overdesign (in Lambayeque and Tacna) and of poor price estimates (in Piura).

Consulting firms appear to have been less adept in supervision. In some cases (e.g. electricity components in Lambayeque), the consulting firm simply has not done its job. In Piura the head of the PIRR unit complained that the consultant has been sloppy about administrative details. In both cases PIRR units have been left "holding the bag," apparently with little legal recourse. Additional confusion has arisen in Piura where consultants hired PIRR unit personnel to supervise some components without a clear delineation of responsibilities with the CORDE.

Even where their direct contributions have not met expectations, the contracting of consulting firms has been an important learning experience in two regards. First, most CORDES previously had had little or no experience with consulting firms. They now have a better idea of the potential contributions and problems associated with this input. Second,

consulting firms appear to have served as a positive catalyst promoting better CORDE performance. The CORDES indeed may be better able than consulting firms to supervise sub-projects and components, but prior to the DRR Project supervision had been lax and sporadic.

Nevertheless, in the future CORDES will be better served by consulting firms if they are not captive consumers. Future projects should encourage and even facilitate the contracting of consulting firms in areas where they can improve CORDE performance, but not require consultants unless it is clear that they are necessary to meet the task at hand. In any case, corporations should have a greater role in selecting the firm which will serve them, and provisions for terminating inadequate consulting services should be clearly established. These policies would be more in line with the management philosophy that has characterized the DRR Project--that of holding CORDES to high standards while giving them flexibility and support to meet these standards.

3.2.5. Technical Assistance in the DRR Project

The DRR Project also has provided strategically-directed technical assistance in the areas of engineering, agriculture, environmental impact, irrigation, and finance. Specialists in these areas have reinforced the DRR departmental advisors (who are development generalists) helped to remove bottlenecks, diffused specialized knowledge, and sometimes taken on basic training activities. Although these contributions have been significant and even crucial, the DRR Project's major accomplishment has been the unleashing of dormant capacities and energies already present

at the departmental level, if not in the CORDES themselves (see 3.1.1. above).

3.2.6. Improved Programming: A Spin-Off of the DRR Project

In contrast to the IRD Project's emphasis on investment prioritization and regional planning techniques (see 3.2.7. below), the DRR Project has funded technically sound disaster-related components on a first-come, first-serve basis. In the flood-ravaged departments of the north, the project has basically sought to restore or replace infrastructure which had been damaged or destroyed to its pre-disaster status.

Project selection has taken place outside the CORDES' regular budgetary process (see 2.3.3. above). Most DRR-financed components were identified by CORDES during the aftermath of the disasters and then consolidated into a multi-departmental list prepared by the INP. The list was subsequently updated by the GRR and the CORDES. Selection of components from the approved list has been left up to the CORDES, subject to verification by the GRR and DRR that the component is indeed disaster-related and that it meets technical specifications.

Nevertheless, the more exigent technical studies required by USAID have provided at least a foundation for more accurate programming since sounder plans for physical and financial progress can lead to more accurate projections of procurement needs, disbursement requests, and payments

to contractors. At least one corporation visited--CORPIURA--has made this link. In this corporation the departmental advisor has even automated physical and financial data for all PIRR unit components, and is teaching the technique to the other main line unit of the corporation. In contrast, in CORDEJUNIN the former head of programming--who is sympathetic to the planning goals of the IRD Project--complained that inaccurate cost estimates of IRD-financed highway components have greatly complicated programming.

3.2.7. Technical Assistance and Training under the IRD Project: Junin and Cajamarca

Under the IRD Project there have been two stages of technical assistance specifically directed to CORDES in Cajamarca and Junin. From 1981 to 1983, Syracuse University provided teams of resident departmental and some short-term advisors in the areas of regional planning, key market town development, participatory planning techniques, and the identification and implementation of UFRD-oriented public works. Advisors trained personnel, diffused UFRD concepts and methodologies, and became involved in subproject implementation. After 1983 single departmental advisors on personal service contracts have continued to work on these concerns in each department.

In the final evaluation of the IRD Project, regional planning experts Dennis Rondinelli and Patricia Wilson Salinas conclude that the project initially achieved significant improvements in departmental

planning and prioritization capabilities, despite conceptual disagreements within the Syracuse technical assistance team and pressures from USAID to produce the first departmental development plans on a crash basis.[12]

Transferring these capabilities to the CORDES has been more problematic. Although staff trained in regional planning during the PRODERIN stage received positions (recently tenured) in CORDECAJ and CORDEJUNIN, they have been mostly placed in offices which are peripheral to planning. The planning offices are dominated by ex-INP personnel, who had developed antagonistic relations with the PRODERIN (exacerbated by the way in which the first crash plans were produced). The current departmental advisor in Junin is attempting to train planning office personnel in UFRD concepts and methodologies. Although his efforts have been met with resistance or indifference, the 1986 investment budget is being prepared using the introduced prioritization methodology.

Paradoxically, while not adequately appreciated in his assigned corporation, the current advisor in Junin in making state-of-the-art contributions to planning and prioritization methodologies which are winning national and even international attention. Of particular interest to future CORDE development is a decision-tree methodology for investment prioritization.[13] This methodology not only incorporates sectoral, technical, and spatial considerations for evaluating different types of components, but allows decision-makers within the CORDE--potentially the assembly--to determine the weights for various criteria. Thus, the

methodology provides a framework for linking popular participation through the assembly to better planning.

3.2.8. National Technical Assistance under the IRD Project: PATC-CORDES

It is difficult to evaluate the impact of PATC-CORDES' technical assistance and training efforts at the departmental level, which (1) are less than one year old; and (2) tend to be directed toward CORDES' administrative offices, rather than toward the PIRR units which were the primary focus of this consultant's interviews. These efforts thus far seem to have had positive but diffuse impacts on the CORDES visited. The need for assistance and training is almost universally accepted in the provinces, and most officials having an opinion stated that training opportunities are always appreciated, or that they "could not hurt." Most administrative and line staff had positive things to say about their experience with PATC-CORDES, but only in Piura was this training and technical assistance explicitly linked to positive organizational changes (in procurement and financial management). On the other hand, several informants criticized PATC-CORDES for being too "centralist," referring to the fact that its instructors generally come from Lima (see 3.1.2. above for another perspective).

Most CORDES are very interested in obtaining computers, which if combined with appropriately designed information systems and training, could speed up administrative processes and the generation of legally-mandated reports to a variety of central organizations. Of the CORDES

currently having computers, those in Puno and Piura both acknowledge receiving useful assistance from PATC-CORDES, although in the latter case the DRR departmental advisor has been more helpful. On the other hand, CORDEJUNIN has created its own programs in financial management, personnel, and budgeting.

Computers, however, are not a panacea for weak administrative offices. USAID should resist pressures to supply the hardware, unless computers can be accompanied by the basic technical assistance and training needed to make them effective.

Whatever its impact on specific CORDES might be, it is clear that PATC-CORDES already has played a major role in stimulating ideas and facilitating the exchange of experiences among corporations. There is widespread interest in investment recuperation and enterprise promotion, especially in agricultural processing. Several CORDES have displayed an active interest in the prioritization methodology being developed by the IRD advisor in Junin, and PATC-CORDES is diffusing the budgeting program developed by CORDEJUNIN. PIRR staffers in CORDELAM primarily value the various workshops sponsored by PATC-CORDES in such areas as bidding procedures, investment programming, execution and supervison, and fórmulas polinómicas because they were able to compare experiences with counterparts from other CORDES and regional offices of the ministries.

Finally, it should be noted that one corporation has begun its own training efforts, which preceded but now potentially complement those of PATC-CORDES. Working with the local university, CORPIURA has developed

courses in basic administration, accounting, and financial management which are attended by staff from ministerial field offices, municipalities, and the corporation itself. Also in Piura, the DRR advisor on his own initiative designed and gave courses to personnel of the PIRR unit.

3.3. Project Impacts on CORDE Capabilities and Priorities

The IRD Project has attempted to reorient the investment priorities of the CODES and CORDES in accordance with UFRD strategy. While the DRR Project was not designed to change CORDE priorities, it has increased their capabilities in emergency maintenance and public works. Moreover, DRR management and advisors have encouraged CORDES to explore how future natural disasters might be ameliorated or even avoided through better management of natural resources.

3.3.1. IRD Impact

Under the IRD Project Agreement urban sub-projects in key market towns were to be undertaken with loans from an USAID-financed $ 8 million fund administered by the Housing Bank. The fund was later reduced to $ 5.5 million, with the balance being reprogrammed to support technical assistance efforts at the national level. Rural works have been supported by a $ 10.121 million fund provided by USAID and Peruvian counterpart financing.

The original project paper assumed that many sub-projects in key market towns would be undertaken by municipalities, when in fact they

cannot borrow money. As a result, investments in key market towns have been almost totally limited to electricity sub-projects implemented by the CORDES or the regional electricity companies. The very rationale of the IFRD approach has been undercut by delayed implementation of the electricity sub-projects, which began well after the rural sub-projects in 1983. In Cajamarca investments in electricity sub-projects have been directed to key market towns. In Junin some sub-projects are located in key market towns, but this is coincidental, rather than the result of regional planning.

During the project's PRODERIN stage, investments in rural public works generally followed the UFRD approach in Cajamarca, but not in Junin whose original departmental advisor from Syracuse questioned the very concept. In Junin the former head of the PRODERIN's Gerencia de Obras y Estudios also argued that the lack of watershed planning capacity severely limited the returns from investments in irrigation sub-projects. Almost all of the possibilities for small irrigation components in the Mantaro Valley have been implemented, and significant gains in hectareage can be achieved only by tapping new sources of water. Responding only to community requests, however, the PRODERIN built a number of small components--some in areas with bad soil or prone to mudslides.

Since most IRD funds for rural public works were committed by 1983, the current contract team of departmental advisors has had little leverage with the CORDES after the integration of the PRODERINS. In CORDEJUNIN the current departmental advisor and a former PRODERIN official from

outside the planning office have prioritized budget proposals, but political criteria have prevailed at the directorate and congressional stages of the budgetary process. For the 1985 budget they estimated that only about 30 percent of prioritized components in the department as a whole and about 6 percent in the Mantaro Valley survived this process. In Cajamarca, a formal system of prioritization is no longer employed, although an official in the planning office claimed that the IRD experience has influenced component selection. In any case, about half of the budget is changed in Congress.

Nevertheless, the IRD Project has influenced investment orientations in both departments. In Cajamarca prior to the project, the INP's regional development plans had revolved around the initiation of a large mining venture which never has been begun. Although planning and prioritization remain problematic, the IRD Project has shifted the terms of reference to small-scale public works in agriculture and transport.

In Junin a comparison of CORDE investments not funded by IRD reveals a 20 percent increase in the percentage destined for agriculture (not including investments in markets) between 1982 and 1984. The percentage devoted to urban infrastructure and schools dropped accordingly. Moreover, as a legacy of the IRD Project, there is a greater degree of administrative deconcentration to micro-regions than in the other CORDES visited.

Largely as a result of the IRD experience, corporations in Cajamarca and Junin are in the vanguard in non-traditional areas of CORDE activity: investment recuperation, generation of private investment, and municipal

development. Electricity components implemented under the IRD Project are intended to be self-financing--a rarity in Peru. Both corporations are undertaking feasibility studies for investments that could be financed by some combination of private and public capital (see 4.7. below). These innovative activities, however, still fall out of their mainstream public works orientation.

3.3.2. DRR Impact

During the emergencies some CORDES, most notably CORPIURA, took on temporary functions in the areas of health, insect control, agricultural extension, and the distribution of emergency food and supplies. Most CORDES in flooded areas gained experience in emergency maintenance, which will be useful in the future since some damage to infrastructure from rains is an almost annual event, especially in the sierra. This was one area, however, in which USAID's emphasis on high technical standards was actually counterproductive. A DRR departmental advisor and CORDE officials complained that the criteria were overly restrictive during the early days of the emergency when many temporary works had to be constructed.

During the course of reconstruction and rehabilitation, the CORDES have developed expanded or new capabilities in public works, their traditional focus. For the first time CORPIURA contracted out major bridges, made major investments in irrigation works through INAF, and completed first-order paving projects, river defenses, acqueducts, deep wells, housing for flood victims, and major school complexes. CORDELAM built

bridges and irrigation works for the first time. CORPUNO undertook necessary studies to expand limited investments in irrigation works and for the first time made investments in deep wells, terraces, mini-reservoirs, multi-use communal complexes, and a system of dikes and drainage ditches to protect the city of Puno from flooding. For the first time, CORDETACNA built reservoirs which reduce or eliminate the need for night irrigation.

Although their project objective is reconstruction and rehabilitation from natural disasters, DRR management and advisors also have encouraged CORDE officials to explore how such disasters might be ameliorated through better management of natural resources, particularly in the areas of watershed management and irrigation use. But CORDES are discouraged from undertaking new initiatives in these areas by national policies and their own orientations.

Under Peruvian law irrigation water is the property of the state and responsibility for its distribution belongs to the Ministry of Agriculture. Under pressure from organized users, water is virtually free, and there is little incentive for conservation by farmers with access. For example, users in the upper part of the Sama Valley of Tacna grow water-intensive crops such as alfalfa and employ inefficient methods, leaving little water for farmers in the lower part of the valley. Policies even lead to waste where water is expensive, as in the Yarada plain of Tacna. There water users are charged for costly underground water by the hectare cultivated, rather than by the amount of water actually used.

These nationally defined policies and responsibilities leave little room for CORDE initiative. In Tacna the DRR Project has funded improved

gauging systems for water distribution and an experimental station to demonstrate the potential of cultivating less water-intensive crops with drip irrigation and sprinkler systems. The PIRR unit has even been able to convince a few progressive farmers to convert to the system on economic and technical grounds with good results. Nevertheless, although CORDETACNA officials acknowledge long term problems with water supply and distribution, and seem genuinely interested in solving these problems, there is little that they can do without changes in national policy. Indeed, users of expensive well water from La Yarada are pressing the corporation and national government for operating subsidies, while INADE is financing feasibility studies for an expensive project to divert water from Puno to Tacna.

The orientation and structure of CORDES also discourage them from managing natural resources. Most CORDES are dominated by civil engineers with a public works orientation, who simply are not used to thinking in terms of natural resource management. Members of CORDE assemblies and directorates include representatives from entities having a stake in the present system--the Ministry of Agriculture, CIPA, water users' associations, and in Tacna the dairymen's association. Moreover, river defenses built to counteract flooding are more politically visible than efforts to manage watersheds.

Only one of the corporations visited--CORPUNO--has been able to use the DRR Project to significantly expand its activities beyond public works. This has been possible because the corporation is less constrained by national policy, and it had assumed a broader developmental role before the project (see 2.3.4. above). National policies have had little effect

on water use for ecological reasons and because there is little tradition of irrigation. To its credit, the corporation is attempting to follow up investments in irrigation works and terraces with agricultural extension. Although it had previously supported reforestation, efforts to prevent soil erosion and flooding by reforesting mountain slopes were begun with support from the DRR Project. Building on earlier pilot efforts, the corporation has seeded new, improved pastures; provided veterinary services; and established a model alpaca unit.

While DRR management and advisors have encouraged the CORDES to think in terms of resource management, the objectives and characteristics of their project sometimes worked in the opposite direction. In Tacna the DRR Project helped the dairy industry to withstand and recover from the drought. The short time-frame of the project has limited the opportunities for linking investments in irrigation to agricultural extension, especially in Puno where it has supported a number of relatively large-scale irrigation components in a department with a limited irrigation tradition and extremely fragmented patterns of land-tenure. Within the parameters of their project, however, DRR management has encouraged the linkage between investment in infrastructure and resource management by funding training modules in water use, agricultural extension in existing irrigation systems, and demonstration parcels in areas of new irrigation components. As discussed in the preceding paragraph, CORPUNO is attempting to assume these new activities as the DRR Project winds down.

3.4. Linkages to Public Agencies, Municipalities, and Local Organizations

The IRD and DRR Projects have had different impacts on the relations of CORDES to public agencies, municipalities, private voluntary organizations (PVOs), and local organizations.

Most IRD-financed sub-projects have been implemented directly by PRODERINs and later the CORDES, reducing the prospects for linkages to ministerial field offices, but increasing the scope for popular participation. Support from municipal development is a major component of the IRD Project and has had a positive impact on relations between CORDES and municipalities, although this may not continue after the termination of support.

In contrast, the character of sub-projects financed by the DRR Project and its compressed implementation period have left little room for community involvement and only marginally reinforced linkages with the municipal governments. The DRR Project, however, has provided certain incentives for greater cooperation between CORDES and ministerial field offices, helping to lay a foundation for future regional governments (see 4.4. below).

3.4.1. Relations with Public Sector Agencies

While the DRR Project has no grand strategy for facilitating coordination between the CORDES and the ministerial field offices, it has had this general effect in some areas. DRR funds have provided the CORDES leverage

vis-a-vis the resource-starved field offices, while the latter could provide the former with human resources and some influence over sectoral policy.

In many instances, CORDES and field offices have cooperated. Usually, the corporation has assigned sub-projects or components to the field offices. For example, in most departments of the southern sierra the greater part of the capital budget in the agriculture sector has been financed by the DRR Project. In a few instances, "detached" employees (destacados) from the field offices were assigned to the CORDE.

Most ministerial field offices have little authority or discretion for policy-making and very limited investment budgets. Normal operating expenses in many cases constitute over 90 percent of their budgets. Nevertheless, competent professionals are sometimes found in these offices, and, as the local representatives of their ministries, they are responsible for interpreting and implementing sectoral policies. For example, recent budget laws have given the ministries of agriculture, health, and education authority to approve all locational and technical criteria of projects financed by CORDES in their sectors.

The most important factors influencing cooperation have been (1) the importance which the sector assigns to the department; and (2) the convergence of sectoral and CORDE goals. The agriculture sector, for example, assigns top priority to the north coast where it has had a high degree of coordination with CORPIURA and generally good relations with CORDELAM. On the other hand, at least before the new APRA government, Puno has been marginal to sectoral priorities. National water-use legislation designed

for the coast does not make sense in the altiplano. Furthermore, CORPUNO officials implied that INAF is primarily interested in diverting water from Puno to support Tacna's dairy industry.

Relations between CORDES and regional electricity companies are generally poor, but it is otherwise difficult to generalize about specific sectors. Even within a sector there is considerable variation by agency and department. For example, relations between CIPA and CORPUNO are quite strained; however, in another marginal department not visited, CIPA appears to have a good working relationship with CORDEHUANCAVELICA.

Although the IRD Project Paper states that sectoral ministries would be given priority in implementation, the PRODERINs built up their own implementation capacity. As a result, the project has not contributed to stronger linkages with field offices. In the case of Junin, it has even contributed to strains between the CORDE and the sectors. There, officials in the agriculture sector and the associated water users' board complained that irrigation components have been planned and implemented with little if any consultation with the entities responsible for use and maintenance.

3.4.2. Municipalities

The IRD Project initially had a component for municipal planning and revenue generation in Cajamarca and Junin which was later supplemented by a broader program of technical assistance channeled through the National Institute for Municipal Development (INFOM). Both CORDECAJ and CORDEJUNIN

have developed municipal offices staffed by competent professionals which provide technical assistance that is highly valued by the municipalities.[14] Particularly impressive are the urban cadastral systems directed or supported by municipal experts in the corporation. Unfortunately, since the two CORDES have not displayed an ability and willingness to continue funding these extension activities, they are likely to end with the IRD Project.

Oriented to large components, the DRR Project has had only a marginally positive impact on strengthening CORDE-municipality relations. Project funds have financed some encargos to municipalities, but the degree of CORDE-municipality cooperation largely reflects contextual factors and pre-disaster trends. CORPIURA, for example, has very close ties to municipalities and even provides training to municipal mayors, but these relations pre-date the DRR Project.

3.4.3. Relations with Local Organizations

Community participation in identification and implementation of projects was one of the major emphases of the PRODERINs funded by the IRD Project.[15] At least in Junin, informants claim that the CORDE has continued this participatory emphasis.

In departments where the DRR Project has funded reconstruction of infrastructure damaged by severe flooding, the scope for participation has been limited by the traditional orientation of CORDE engineers and the character of the reconstruction efforts. Many of the components

rebuilt or replaced in flooded areas are large and technically sophisticated. Moreover, beneficiaries have felt less of an obligation to contribute to components intended to restore damaged infrastructure to its previous status. Significantly, however, established water users in coastal departments have been consulted about the design of irrigation components.

In Puno the character of drought relief and rehabilitation efforts and CORPUNO's non-traditional orientation (see 2.3.4. above) have provided greater scope for popular participation. A participatory emphasis has been most notable in GEDECO, the corporation's community development unit, which implements some DRR-sponsored components by encargos from the PIRR unit. Notably, some components implemented through GEDECO have involved multicomunales--associations of contiguous peasant communities which can serve as channels for more efficient and equitable administration of development assistance in the future.

While GEDECO appears to have had success in sponsoring some sorts of components (wells, community buildings and facilities, and vegetable gardens), it seems to have headed in too many directions at once--also sponsoring components for seed banks, agricultural extension, rural roads, mini-reservoirs, canals, small animal raising, and artisanry. Beneficiaries appear to have requested some components on the basis of availability, rather than congruence with their expressed priority needs.

Although DRR-sponsored components in Puno involve more popular participation than in other departments visited, two factors have made participation less effective and widespread than it might otherwise have

been. First, administration of food-for-work funds by PVOs in some cases has reduced incentives for community participation since these organizations have not always linked distribution of food to bonafide contributions of labor to public works. PVOs, as well as CORDES, should have important roles to play in future plans of USAID-Peru,[16] but future projects should be designed so that implementing institutions do not work at cross-purposes. Second, as discussed in section 3.4.3. above, the short time-frame of the DRR Project means that the emphasis in irrigation sub-projects has fallen primarily on construction of primary canals, rather than on more participatory elements--construction of lateral canals, training, and extension.

4. Future USAID Assistance and CORDE Development

This section of the report examines how USAID-Peru might influence the future structure and role of CORDES through the policy dialogue and how the characteristics of the IRD and DRR Projects might be adapted to support CORDE development in the future. Specific recommendations are based on some basic premises regarding the comparative advantages of CORDES and regional governments, as well as the orientation and organization of USAID:

> Despite their current shortcomings documented in this report, CORDES have more potential than the field offices of the highly centralized ministries for undertaking effective decentralized planning and monitoring of public investment, encouraging meaningful popular participation, generating public resources, and stimulating private investment.[17]

2. The system of regional governments outlined in the 1979 Constitution provides a framework for overcoming many of the problems now hindering CORDE development--excessive central control, financial dependence, conflicts with sectors, and very limited popular participation.

3. The positive institutional and programmatic impacts achieved under the IRD and DRR Projects, discussed in section 3 above, provide an important foundation for future USAID policies involving CORDES.

4. In accordance with USAID assistance strategy,[18] basic institutional support for CORDES or regional governments and projects outside of Lima sponsored by USAID-Peru can and should be mutually reinforcing over the medium and long runs.

5. The combination of mechanisms used by the IRD and DRR Projects--support for national-level agencies linked to CORDES, central funds for sub-projects meeting established criteria, special program units, and departmental advisors--holds great promise for the future and could be adapted to serve the needs of a future decentralization project proposed by the IRD evaluation team and endorsed by this consultant, the agriculture sector recapitalization project, or other projects using economic support funds.

Building on progress made and lessons learned through the IRD and DRR Projects, USAID can and should use its influence through the policy dialogue, its leverage through new project negotiations, and its legal authority in new project agreements as catalysts for the implementation of constitutionally-mandated provisions and other policies strengthening CORDES or regional governments.

Promoting decentralized development will be a complex, drawn-out process requiring greater institutional memory, and intra-agency coordination on the part of USAID itself. Since the IRD Project has built up a network of qualified Peruvian and U.S. institutional specialists and project agreements supersede Peruvian law, in the future the mission will

be able to anticipate and prevent or ameliorate many of the institutional problems which limited the effectiveness of the IRD and DRR Projects--e.g. the ineligibility of municipalities for borrowing and inflexible budget ceilings imposed by the MEF. A capacity for ongoing institutional analysis also needs to be built into new projects themselves, while some sort of criteria will be needed to resolve inevitable short-term tensions between institution-building and implementation.

While it could be argued that institutional engineering is an inappropriate activity for donor agencies, such an argument overlooks the inevitable institutional impacts of foreign aid and Peru's support for decentralization. Donor agencies providing significant assistance inevitably, even if inadvertently, influence the institutions of the recipient country.[19] A conscious institutional strategy is more likely to have better results than ad hoc impacts. While care must be taken not to offend national sensibilities, USAID would in fact be supporting changes which are constitutionally-mandated, endorsed by the new government in principle, and have received the enthusiastic backing of most Peruvians.

Detailed proposals for supporting decentralization to the departmental/regional level are not advisable at this time, given the current change in government and upcoming changes in USAID-Peru programming. Nevertheless, it is possible to provide some general policy guidelines which reflect current economic and political realities and are compatible with the announced plans of the new government. These

guidelines address several major issues in the decentralization process: jurisdictions, CORDE autonomy, finance, relations with sectors, the use of special program units, the organization of technical assistance, linkages to municipalities, and relevance to private sector development.

4.1. Jurisdictions

Thus far, jurisdictional disputes have been the primary stumbling block to greater decentralization to the regional level. Disputes over regional boundaries and capitals forced the Morales Bermúdez government to implement the ORDES on an ad hoc and mostly departmental basis rather than in accordance with a new regionalization scheme as originally planned. Similarly, such disputes effectively killed the regionalization proposal made by the second Belaunde government, despite a constitutional provision which strengthens the president's hand vis-a-vis Congress.[20]

Given this history, two principles should guide future decentralization efforts: (1) respect for existing political boundaries; and (2) avoidance of a proliferation of governmental layers.

While mandating the formation of regional governments, the 1979 Constitution leaves open the possibility that they could be formed on a departmental basis. Moreover, experience through the IRD and DRR Projects has shown that CORDES are potential nuclei for viable departmental governments. USAID should therefore encourage the Peruvian government to use the departments as the primary bases for future regional governments. The new

regions would be the present departments, except where the departments themselves agree to form a multi-departmental region, as is apparently now happening in Piura and Tumbes. In any case, the issue of regional jurisdictions should be quickly resolved so that it does not constitute an obstacle to future decentralization.

Additional layers of bureaucracy should not be created between the departmental and national levels. For example, if re-established as currently proposed, regional planning offices of the INP would greatly complicate effective linkages of planning and budgeting, while constituting yet another set of administrative hurdles for CORDES.

Microregions within the departments should always respect district lines and in most cases provincial boundaries as well. Where microregions cut across departmental boundaries, CORDES or regional governments should be able to voluntarily form independent development authorities (similar to the Port Authority of New York and New Jersey). At some stage, the structuring of central funding mechanisms for projects sponsored by USAID or the Peruvian government should encourage such interdepartmental co-operation.

4.2. CORDE Autonomy

In addressing the issue of central control, USAID should distinguish among basic political control, policy controls, and administrative controls having little rationale in terms of politics or policy. For the time being, USAID should accept a certain degree of basic political control by the

central government, while helping it to develop effective policy controls and to eliminate counterproductive administrative controls. The new government is more likely to support less spectacular but probably more significant budgetary and administrative reforms if CORDES are not susceptible to control by the political opposition and are perceived as supporting government policies.

With respect to basic political control, it would serve little purpose to insist that CORDE presidents be elected at this point in time, although USAID should stress the importance of managerial qualifications for central appointees. Historically, Peruvian political parties espouse decentralization or even federalism when out of power, but become reluctant to give up central controls once they win office. APRA appears to be following this pattern, having called for decentralization during the campaign, but now stressing "moralization" of the public administration, which implies greater central control. Moreover, with absolute majorities in both houses of Congress, APRA has little political incentive to decentralize authority to CORDES or regional governments.

Policy controls are regulations needed to insure constitutionally-mandated compatibility with national priorities. Given the CORDES' tendency to favor urban areas and their public works orientation, there will be a greater need for controls reinforcing new government priorities in rural development and agriculture.[21] Through their systems of subproject funding, the IRD and DRR Projects provide important examples of how project criteria can be enforced with a minimum of administrative

regulations and interference in CORDE operations.

Assured of basic political and effective policy controls, the new government will be more likely to support the gradual simplification or elimination of counterproductive administrative and budgetary regulations constraining CORDE development. Even in the cases of constitutionally mandated administrative systems (i.e. budgeting, accounting, auditing), there is ample room for more flexibility. PATC-CORDES has already done useful research on reforming administrative systems.[22]

Administrative simplification is a pre-requisite for the formation of administratively-deconcentrated regional governments encompassing ministerial field offices at the departmental level (see 4.4. below).

4.3. Finance

A number of funding sources for regional governments are foreseen in the Constitution. Most notable are the so-called royalties (canones) on natural resources produced in the region and transfers from a regional compensation fund which would ameliorate inequities created by the uneven distribution of natural resources. Other sources of funding might be earmarked taxes, loans and credits, transfers from the central government, income from services provided, and assessments for improvements.

A fundamental distinction should be made between income derived from natural resource exploitation or central government transfers, on the one hand, and that generated by CORDES or regional governments, on the other. In seeking to give CORDES more predictable sources of income, USAID should

discourage the ad hoc implementation of the canon system, while encouraging the formation and autonomous administration of special funds for regional development (including the compensation fund) through which most canon money and all central government transfers should be channeled.

While the extreme fiscal fragmentation of the pre-1968 period is not likely to reoccur given the currently centralized financial system and the economic crisis, ad hoc implementation of the canon principle could lead to severe imbalances in resources available to CORDES or regional governments and contradict the new government's efforts to favor rural areas. For example, in Piura 40 percent of petroleum canon money is now divided among provincial councils, which spend two-thirds in provincial capitals. In Cuzco money from the airport tax is also controlled by the provincial council, primarily for the benefit of the city of Cuzco.[23]

To avoid severe regional imbalance and urban bias, most canon money and all central government transfers should be channeled through central funds for regional development, including the constitutionally-mandated compensation fund. In order to circumvent the unpredictable disbursement procedures of the MEF, these funds should be administered by an autonomous agency or institute which would depend on the new Ministry of the Presidency, incorporating the General Directorate for Coordination of CORDES (which includes PATC-CORDES) from the Prime Minister's Office and the GRR from INADE. During the first months of the new administration USAID will have an important but brief window of opportunity to influence the organization of such an autonomous agency or institute.

The distribution criteria for the constitutionally mandated regional compensation fund are designed to promote regional equity. Other regional development funds might be established for specific purposes, such as development of priority microregions, investments in certain kinds of infrastructure (e.g. terracing), or the promotion of new activities (e.g. water use, natural resource management). USAID funding provided through a new decentralization project, the agriculture sector recapitalization project, or economic support funds could provide nuclei for the establishment of such funds for regional development. Some regional development funds should be allocated on a competitive basis, rewarding CORDES which have a superior track record.

In advocating or sponsoring the establishment of autonomously administered regional development funds, USAID should emphasize that such a system would not lead to the extreme financial fragmentation of the pre-1968 period. The historical links between past APRA proposals and such funds should also be emphasized. APRA championed the establishment of an autonomous fund for public works during the 1940s, backed the establishment of the National Economic Development Fund in 1956, and held a plurality in the 1978-79 Constitutional Assembly.

4.4. Resource Generation

While supporting the establishment of regional development funds linked to project-related goals, USAID should continue to support basic policy research and technical assistance by PATC-CORDES in the area of resource generation. Largely as a result of PATC-CORDES, there is now

widespread interest in investment recuperation.

4.5. Relations with Sectors: Toward Regional Governments

The Constitution is ambiguous with respect to absorption of ministerial field offices. The regional governments are to organize and administer "decentralized public services," which are to be coordinated with those provided by the executive branch.

Building on the foundation of cooperation between CORDES and ministerial field offices under the DRR Project (see 3.4.1. above), USAID should encourage the establishment of departmental-level regional governments incorporating the field offices and most special projects[24] into flexible, deconcentrated structures. With control over the budget, the current CORDES can serve as nuclei for planning, monitoring, and evaluation, while the field offices can be line agencies enjoying a high degree of administrative autonomy and assuming responsibilities for implementation and maintenance.

The upcoming agriculture sector recapitalization project or a new project in agriculture and/or resource management undertaken with economic support funds would provide a window of opportunity for supporting such a scheme to the benefit of both institution-building and project implementation. In many departments of the sierra, funds from the DRR Project channeled through the CORDES already provide most of the capital budget for the agriculture sector. Under the new project, selected personnel in

agricultural or resource planning could be re-assigned or "detached" to the CORDES, where they would receive technical assistance from the project. Subject to technical and program criteria established by the new project, the CORDES could act as departmental level coordinating agencies--planning, financing, and supervising sub-project implementation by agencies in the agricultural sector. Indeed, key officials of the agrarian regions and regional offices of CIPA, who were interviewed, favored such a system.

This scheme would potentially increase the effectiveness of the new project. While the PID for the agriculture sector recapitalization project stresses the interrelatedness of project components,[25] the agriculture sector is highly fragmented at the departmental level with minimal coordination among the agrarian regions, and agencies of INAF, CIPA, CENFOR, INDA, and special projects--which are all administratively and financially dependent on Lima. While it would be possible to establish a departmental planning and coordinating office for agriculture, it is doubtful that necessary budgetary authority could be deconcentrated to such an office. Indeed, the agrarian regions now have nominal coordinating responsibilities, but no budgetary authority and very low operational capacity. Moreover, a planning and coordinating office would only have jurisdiction over the agricultural sector.

Until such a system is established, USAID should continue to encourage greater horizontal coordination at the departmental level by channeling technical assistance for planning and project financing through CORDES. Any future project agreements could require more efficient

systems for administering encargos, giving CORDES and field offices greater incentives for coordinating policy and more effectively using their resources.

4.6. Special Units and Technical Assistance

As discussed in 3.2.1., the DRR Project has demonstrated the desirability of establishing semi-autonomous line units for projects financed by a single donor source. This approach can be used to implement sub-projects throughout a given department, as under the DRR Project, or adapted to support investments by CORDES in key micro-regions. In the future the "detached personnel" (destacado) model may be a way to achieve an optimal balance between performance and institution-building. In employing the special unit approach, it is possible to alleviate the shortage of qualified staff and to avoid serious conflict by paying higher salaries to a few key personnel and including in any bonus program for the special unit some deserving personnel from supporting units.

Training and technical assistance usually have the greatest impact in a project context and should be built into future USAID projects involving CORDES or regional governments. Any future projects financed by economic support funds would need to draw on components of other projects for needed technical assistance. While project-associated technical assistance could be primarily directed to special program

units, there also remains a need for more general training and technical assistance oriented to the key planning and administrative units.

4.7. Linkages with Municipalities

Through the policy dialogue and the design of future projects, USAID can also strengthen linkages between CORDES or regional governments and municipalities. The representative role of municipalities in regional organizations would be enhanced by increasing the representativeness and powers of the assembly in accordance with the 1979 Constitution. District mayors should serve in the assemblies of microregions, which should always observe district boundaries and, if at all possible, those of provinces. Improvement of the encargo system would also help CORDES and municipalities to establish more productive relationships in project implementation.

Building on the experience of the IRD Project, USAID should also continue complementary direct assistance to INFOM and specific municipalities, especially in the area of revenue-generation.

4.8. Private Sector Development

Linkages between CORDES and private sector development should not be overlooked. USAID should provide technical assistance to CORDES attempting to further private enterprise with a minimum of intervention in the market, seriously consider the possibility of supporting private enterprise funds in association with the corporations, and not reject out of hand the possibility of supporting mixed enterprises involving the CORDES and private or cooperative capital.

With a minimum of intervention in the market, corporations can support private enterprise by encouraging meaningful input into the planning process by private economic groups, identifying market opportunities, financing feasibility studies, and providing basic infrastructure. CORDES can support and benefit from management programs in provincial universities, with which many have strong ties (see 3.2.8.).

CORDES also can provide counterpart funds for loans to private firms in their departments. In order to lessen the possibility of political favoritism, USAID could require that private enterprise funds receiving its support be managed by a public, private, or mixed bank, or even by a private voluntary organization, such as Acción Comunitaria. For example, CORDELORETO and CORDEUCAYALI are currently providing credits to private industrial and artisan firms through the Banco Amazónico.

CORDES in a number of departments also are exploring possibilities of forming mixed enterprises with private or cooperative capital. USAID appears to be understandably hesitant about supporting these initiatives given its role in promoting private enterprise, the poor record of public enterprise in Peru, and the limited experience and expertise of CORDES in this field. At the same time, however, a policy of categorically rejecting the possibility of supporting mixed enterprises is not advisable because in many parts of Peru private firms are not willing and able to undertake key investments having high multiplier effects throughout regional economies. Moreover, the experience of the DRR Project suggests

that CORDES are capable of impressive achievements when they are held to high standards and receive technical assistance to meet these standards.

Any financial support for mixed enterprises should be closely tied to technical assistance and should be subject to conditions which would increase the viability of the ventures and the potential role of private capital. Support should be directed only to CORDES having good track records in the area of private enterprise promotion, and then only for crucial activities which are technically sound and have a reasonable chance of being viable over the medium or long runs. Any assistance should be supported by sound institutional analysis: amounts, modes, and durations of any direct or indirect public support, as well as any special responsibilities on the part of the mixed firm, should be clearly established at the beginning of the sub-project. USAID should approve the selection of managers of any mixed ventures receiving its support and should regularly monitor their progress.

5. Conclusions and Recommendations

5.1. Departmental Development Corporations (CORDES)

5.1.1. Historical Development. Re-established in 1982, CORDES are the latest in a series of Peruvian development agencies which since 1950 have operated between the national and local levels, primarily undertaking public works. While natural disasters often served as important catalysts for the establishment of these intermediate-level agencies, their scope and character have been influenced by the type of regime in office (civilian or military), the strength of governing political coalitions, and the scale and organization of the central government. Over time these factors have interacted to influence the amount of administrative and financial dependence on the central government; relations with field offices of central ministries and agencies; patterns of political influence; and the degree and distribution of public investment channeled through intermediate agencies.

5.1.2. External Constraints. Current CORDE development is severely constrained by limited "institutional space" stemming from the complexity, arbitrariness, and unpredictability of national legal, budgetary, and administrative norms and from the presence of ministerial agencies controlling (but often not performing) major development activities.

5.1.3. Comparative Advantages. Nevertheless, CORDES have more potential than the field offices of the highly centralized ministries for undertaking effective decentralized planning and monitoring of public investment, encouraging meaningful popular participation, generating public resources, and stimulating private investment.

5.1.4. Variations in Organization, Operation, and Orientation. Although CORDES face common external constraints and operate under a common legal structure, there are important variations in their resources, personnel, staffing patterns, susceptibility to central interference in the budget process, and developmental orientations. Key contextual and internal variables influencing CORDE development include presidential leadership, institutional inheritance, and the availability of human resources.

5.1.5. Future Prospects. The system of regional governments outlined in the 1979 Constitution provides a framework for overcoming many of the problems now hindering CORDE development--excessive central control, financial dependence, conflicts with sectors, and very limited popular participation.

5.2. The IRD and DRR Projects: Institutional Impacts and Lessons Learned

5.2.1. Decentralization as a Means of Efficient Project Implementation.

While not having institution-building objectives, the DRR Project has furthered its goal of effectively implementing disaster-related sub-projects by providing a more supportive context for CORDE development.

a) Corporations are more appropriate institutional channels than agencies of the central government for implementing most DRR sub-projects.

b) Where collaboration with other sectors is desirable or necessary, the GRR and the CORDES, rather than USAID, have borne the organizational costs of coordination.

c) Since many sub-projects can be implemented equally as well through different institutions or mechanisms, USAID has seldom become captive to any one institutional channel.

The project has an implementation record which compares favorably with most USAID-Peru projects undertaken through central government agencies, and is one of only a few projects in the world which have efficiently moved large amounts of money over broad expanses of space. The achievements of the project are impressive given the external constraints and internal weaknesses

hindering CORDE development; the scale of the project, which is the largest ever financed in Peru by USAID; and the short implementation period--some two-and-a-half years from the signing of the project agreement to the termination of almost all works.

5.2.2. Institution-Building and Programmatic Performance. Over the medium and long runs institution-building and improved programmatic performance are mutually reinforcing. The programmatically oriented DRR Project has had some positive institutional impacts on the CORDES, but these are diffuse and likely to dissipate if not reinforced by additional support designed to strengthen institutions. Efforts to increase planning and prioritization capabilities in CORDEJUNIN under the IRD Project have had limited impact because they were not effectively linked to IRD-financed sub-projects.

5.2.3. Circumventing External Constraints. The DRR Project has shown that the performance of CORDES can increase significantly when they operate in a more predictable context and when they enjoy some leverage vis-a-vis agencies of the central government.

5.2.4. Overcoming External Constraints. Through some innovative approaches the IRD-funded PATC-CORDES is linking technical assistance and training directed towards CORDES to the development of strategies and proposals for needed administrative and legal reforms.

5.2.5 Technical Assistance. Providing CORDES with greater "institutional space" by circumventing or overcoming external constraints is a necessary but not sufficient condition for the development of the corporations. Technical assistance must accompany greater autonomy and resources in order to overcome weaknesses within the CORDES. The IRD and DRR Projects have shown that general and specialized technical assistance can produce positive results at the departmental level:

a) The IRD Project initially achieved significant improvements in departmental planning and prioritization capabilities, although transferring these capabilities from PRODERINs to CORDES has been less successful.

b) The DRR Project has demonstrated that CORDES are willing and able to meet higher technical standards if advisors help them to understand and comply with project requirements.

c) Under the DRR Project a combination of predictable financial support, insistence on high technical standards, and supportive technical assistance has created an environment conducive to the development of more professional and managerial attitudes on the part of CORDE personnel.

d) The current IRD advisor to CORDEJUNIN has developed innovative techniques for CORDE investment prioritization

which can potentially link increased popular participation in assemblies to more effective planning.

e) The IRD-funded PATC-CORDES has played a major role in stimulating ideas and facilitating exchanges of experiences among corporations.

5.2.6. Special Program Units. Some important lessons emerge from the experiences of special program units under the DRR and IRD Projects:

a) The DRR experience has shown that special units can facilitate efficient project implementation given that: (1) USAID's stricter technical requirements, different contracting procedures, and additional reporting processes are most conveniently handled by a single office; and (2) special units ameliorate obstacles to implementation stemming from conflicting priorities, efforts to divert project resources to other ends, and administrative bottlenecks.

b) The DRR experience also has demonstrated that the special unit approach can leave considerable room for institutional learning if the donor agency does not attempt to dictate the structure of the special unit.

c) In the future the detached personnel (destacado) model--by which more experienced and qualified personnel from

the corporation or sectors are assigned to lead special program units--may be a way to achieve an optimum balance between performance and institution-building if two conditions are met. First, the special unit must be held to high standards of technical competence, as under the DRR Project. Second, destacados must be selected by a competent individual or office responsible for completion of the special program.

d) A conclusion emerging from comparison of the DRR and IRD experiences with special program units is that shortages of qualified staff can be ameliorated without provoking severe conflict if (1) higher salaries are paid to only a few key personnel in the special unit, rather than to the entire unit; and (2) any bonus program for the special unit also includes some deserving personnel from supporting units.

e) Despite the efficiency and potentially positive institutional impact of the special unit approach for line agencies, there remains a need for training and technical assistance directed to the key administrative and planning units of the CORDE, as under the IRD Project.

f) The establishment of special program units which improve administrative performance, as under the DRR Project, may significantly increase the relative advantage of implementation by forced account vis-a-vis implementation by private contractors.

5.2.7. Consulting Firms. The value of technical assistance provided by private consulting firms under the DRR Project has varied considerably, being influenced primarily by the competence and dedication of the organization contracted and the relative capacity of the CORDE. Generally, private consultants appear to have had a more positive impact in technical design than in supervision, whereas consultants from INADE's PMS division have specialized more in supervision and general technical assistance. Although the contracting of private consultants has been an important learning experience and, in some cases, a catalyst for better CORDE performance, in the future corporations will be better served by consulting firms if they are not captive consumers.

5.2.8 Improved Programming. The more exigent technical studies required by the DRR Project have provided at least a foundation for more accurate programming since sounder plans for physical and financial progress can lead to more accurate projections of procurement needs, disbursement requests, and payments to contractors. At least one corporation visited by the consultant--CORPIURA--has made this link.

5.2.9. Project Impacts on CORDE Capabilities and Priorities. Despite its limited impact on planning and investment prioritization, the IRD Project has prompted increased support for agriculture and rural development in CORDEJUNIN and CORDECAJ. Moreover, largely as a result of the IRD experience, these corporations are in the vanguard in non-traditional areas of CORDE activity: investment recuperation, generation of private investment, and enterprise promotion.

The DRR Project has increased CORDE capabilities in emergency maintenance and within their traditional sphere of public works. But, except in the case of CORPUNO, national policies and the CORDES' orientations and structures have inhibited corporations from expanding their activities into the sphere of natural resource management, as suggested by DRR management and advisors. In addition the short time-frame of the project has limited opportunities for linking investments in irrigation to better water use and agricultural extension.

5.2.10. Project Impacts on Linkages to Public Agencies, Municipalities, and Local Organizations. The IRD and DRR Projects have had different impacts on the relations of CORDES to public agencies, municipalities, private voluntary organizations, and local organizations.

a) Most IRD-financed sub-projects have been implemented directly by PRODERINs and later the CORDES, reducing the prospects for linkages to ministerial field offices, but increasing the scope for popular participation. Support for municipal development is a major component of the IRD Project and it has had a positive impact on relations between CORDES and municipalities, although this might not continue after the termination of project support.

b) The DRR Project has provided certain incentives for greater cooperation between CORDES and ministerial field offices, helping to lay a foundation for future regional governments. On the other hand, the character of DRR-supported sub-projects and/or the project's compressed implementation period have left little room for community involvement and only marginally reinforced linkages with municipal governments. Moreover, in Puno administration of food-for-work funds by PVOs in some cases has reduced incentives for community participation since these organizations have not always linked distribution of food to bonafied contributions of labor to public works.

5.3. Future USAID Assistance and CORDE Development

5.3.1. Phase-Out of IRD Project. This consultant supports the recommendations of the IRD final evaluation team for project phase-out,[26] particularly the suggestion that PATC-CORDES or its functional equivalent in the new administration should receive continued USAID support.

5.3.2. Priority to CORPUNO during Phase-Out of DRR Project. Given the availability of substantial funds for reprogramming through the DRR Project during the remainder of 1985 and 1986, USAID should attempt to develop special sub-projects supporting agricultural development and resource management by CORPUNO. This recommendation is based on the following considerations:

a) Puno has very high political saliency, having been declared a priority region by the new government, which is emphasizing agricultural development, especially in the southern sierra. By channeling additional funds and increased technical assistance to PUNO, USAID can help the new government to convert its expressed priorities into effective programs.

b) Although it needs additional technical assistance in most areas, CORPUNO is the strongest corporation in the southern sierra and has assumed a greater role in agricultural development and resource management than other CORDES.

c) CORPUNO would be an ideal nucleus for a pilot department-level regional government since there is a high degree of consensus that the altiplano department of Puno should be a separate region.

d) By supporting agricultural development and resource management in the department, USAID can help CORPUNO to follow up ambitious initiatives begun under the DRR Project.

e) Experience gained in supporting these activities might also be relevant to the agriculture recapitalization project or to a new project in agriculture or resource management financed by economic support funds. (USAID also should consider using the GRR or its functional equivalent under the new administration as a nucleus for a new coordinating unit for any new project).

5.3.3. Adaptability of IRD and DRR Mechanisms. The combination of mechanisms used by the IRD and DRR Projects--support for national-level agencies linked to CORDES, central funds for sub-projects meeting established criteria, special program units, and departmental advisors--holds great promise for the future and could be adapted to serve the needs of a future decentralization project proposed by the IRD final evaluation team and endorsed by this consultant, the agriculture sector recapitalization project, or other projects using economic support funds.

5.3.4. USAID Policies as Catalysts for Decentralization. Building on the positive institutional and programmatic impacts achieved under the IRD and DRR Projects and the lessons learned through these experiences, USAID can and should use its influence through the policy dialogue, its leverage through new project negotiations, and its legal authority in new project agreements as catalysts for the implementation of constitutionally-mandated provisions and other policies strengthening CORDES or departmental-level regional governments.

5.3.5. Jurisdictions. USAID should encourage the Peruvian government to use the departments as the primary bases for future regional governments given that (1) jurisdictional disputes have been the the primary stumbling blocks to decentralization in the past; (2) the 1979 Constitution leaves open the possibility of regional governments being formed on a departmental basis; and (3) experience gained through the IRD and DRR Projects has shown that CORDES are potential nuclei for viable departmental governments. Additional layers of bureaucracy should not be created between the departmental and national levels. Microregions within departments should always respect district lines and in most cases provincial boundaries as well.

5.3.6. CORDE Autonomy. In addressing the issue of central control of CORDES, USAID should distinguish among basic political control, policy controls, and administrative controls having

little rationale in terms of politics or policy. For the time being, USAID should accept a certain degree of basic political control by the central government, while helping it to develop effective policy controls and to eliminate counterproductive administrative controls. The new government is more likely to support less spectacular but probably more significant budgetary and administrative reforms if CORDES are not susceptible to control by the political opposition and are perceived as supporting government policies.

5.3.7. Finance. In seeking to give CORDES more predictable sources of income, USAID should discourage the ad hoc implementation of the canon system, while encouraging or even sponsoring the formation and autonomous administration of special funds for regional development through which most canon money and all central government transfers should be channeled. During the first several months of the new APRA administration, USAID will have an important but brief window of opportunity to influence the organization of an autonomous institute or agency in the new Ministry of the Presidency which could administer regional development funds. Some regional development funds should be allocated on a competitive basis, rewarding CORDES which have a superior record of performance.

5.3.8. Resource Generation. While supporting the establishment of regional development funds linked to project-related goals, USAID should continue to support basic policy research and technical

assistance by PATC-CORDES in the area of resource generation.

5.3.9. Reinforcing Sectoral Linkages. Building on the foundation of cooperation between CORDES and ministerial field offices laid under the DRR Project, USAID should encourage the establishment of departmental-level regional governments incorporating the field offices and most special projects into flexible, deconcentrated structures. The upcoming agriculture recapitalization project or a new project in agriculture and/or resource management undertaken with economic support funds would provide a window of opportunity for supporting such a scheme to the benefit of both institution-building and project implementation. Until such a system is established, USAID should continue to encourage greater horizontal coordination at the departmental level by channeling technical assistance for planning and project financing through CORDES and requiring more efficient mechanisms for administering encargos in future project agreements.

5.3.10 Special Units and Technical Assistance. The special unit approach can be used to implement sub-projects throughout a given department, as under the DRR Project, or adapted to support investments by CORDES in key microregions. While project-associated technical assistance could be primarily directed to special program units, there also remains a need for more general training and technical assistance oriented to the key planning and administrative units of the corporations.

5.3.11. Linkages with Municipalities. Through the policy dialogue and the design of new projects, USAID also should strengthen linkages between CORDES or regional governments and municipalities. Building on the experience of the IRD Project, USAID should also continue complementary direct assistance to INFOM and specific municipalities, especially in the area of revenue-generation.

5.3.12. Private Sector Development. USAID should provide technical assistance to CORDES attempting to further private enterprise with a minimum of intervention in the market, seriously consider the possibility of supporting private enterprise funds in association with the corporations, and not reject out of hand the possibility of supporting mixed enterprises involving the CORDES and private or cooperative capital.

5.3.13. Institutional Analysis and Project Design. Future projects should be based on thorough institutional analysis and careful project design.

5.3.14. Private Voluntary Organizations. PVOs, as well as CORDES, should have important roles to play in the future plans of USAID-Peru, but future projects should be designed so that these or other implementing institutions do not work at cross-purposes.

5.3.15. Implementation Schedule and Popular Participation. The implementation schedule of future projects should be designed to leave ample scope for popular participation in planning, implementation, and evaluation.

Notes

1
U.S. Agency for International Development, Institutional Development: AID Policy Paper (Washington D.C.: USAID Bureau for Program and Policy Coordination, 1983), p. 4.

2
Gregory D. Schmidt, "State, Society, and the Policy Process: Planning, Decentralization, and Public Investment in Peru, 1956-1980," Ph.D. Thesis, Cornell University 1984.

3
José M. Garzón, Ph.D. Dissertation in Progress, University of California at Berkeley.

4
Eric Chetwynd, Jr.; John Hatch; Lirn Hammergren; Ronald Johnson; Dennis Rondinelli; and Patricia W. Salinas, "Integrated Regional Development: Final Evaluation," Lima, June 1985.

5
This section is based on Schmidt, especially pp. 266-344.

6
Garzón, Chapter VI, p. 19.

7
Ibid, Chapter VI, p. 12.

8
IRD Final Evaluation, Annex B, "Institutional Development in the CORDES," p. 4.

9
In this respect the DRR Project resembles the USAID-sponsored Basic Village Services Project in Egypt, one of only a few projects to have successfully moved large amounts of money over a broad area. For discussion, see Gregory Schmidt and Norman Uphoff, Local Institutional Development for Rural Infrastructure, Special Series on Local Institutional Development--No. 3 (Cornell University, Rural Development Committee: October, 1984), pp. 27-28, 38.

10
See note 9 above.

11
See Fredy Monge Pimentel, "El Impacto del Régimen Salarial 11377 en las CORDES y las Implicancias de un Cambio al Régimen de la 4916," Lima, Junio de 1984; Idem, "Informe Sobre el Proyecto de Reglamento Único de Adquisición de Bienes y Prestación de Servicios No Personales," Lima, Setiembre de 1984; and PATC-CORDES, Oficina de Capacitación, "Aplicación de la Fórmula Polinómica: Una Propuesta de Modificación," Lima, sin fecha.

12
IRD Final Evaluation, Annex A, "Regional Planning in the IRD Project."

13
Paul H. Dillon, with the collaboration of Víctor Pineda C., "Sistema de Priorización de Inversiones," (Huancayo: Convenio CORDEJUNIN-USAID, 1985).

14
See Ronald W. Johnson, IRD Final Evaluation, Annex C, "Municipal Development Assistance."

15
See especially John Hatch, IRD Final Evaluation Annex D, "Socio-Economic Impact and Participation in Public Works Planning, Construction and Maintenance."

16
José Garzón, who supervised food-for-work efforts in the southern departments, maintains that the Rehabilitation Program had a positive institutional impact on PVOs as well, increasing their ability to handle large amounts of money. Conversation with consultant, Piura, May 29, 1985.

17
For theoretical justifications of decentralization in the Peruvian context, see: Henry Izquierdo, "Decentralizar: Nuevo Camino al Desarrollo," draft USAID-Peru OARD; Raúl Lizárraga B., "Lineamientos Generales para el Diseño de una Estrategia de Desarrollo Regional y de Descentralización," Paper Presented at 1er Seminario-Taller Descentralización y Regionalización, Lima, March 25-28 1985; Patricia Wilson Salinas, "Decentralization Policy Issues," March 29, 1985 USAID Memorandum.

18
See USAID, Institutional Development.

19
For example, donors often insist that projects be implemented through autonomous agencies which have the same organizational priorities and are sufficiently insulated from politics.

20
For an insightful analysis of why regionalization is unlikely, see Garzón, chapter VIII.

21
For theoretical discussion of the frequent need for greater central control during the initial stages of policies favoring the rural poor, see David K. Leonard, "Analyzing the Organizational Requirements for Serving the Rural Poor," in David K. Leonard and Dale Rogers Marshall, Institutions of Rural Development for the Rural Poor: Decentralization and Organizational Linkages (Berkeley: Institute of International Studies, 1982), pp. 1-37.

22
See Fredy Monge Pimental, "Estructura y Gestión de los Gobiernos Regionales," Paper Presented at 1er Seminario-Taller Descentralización y Regionalización," Lima, March 25-28, 1985.

23
Information supplied by José Garzón.

24
As a general rule special projects should be incorporated into the new regional governments. Possible exceptions might be major irrigation schemes such as Olmos and the series of projects which would divert water from Puno to Tacna. Inclusion of these massive projects, which the country can ill-afford, might divert the attention of regional governments from more important priorities.

25
"Agriculture Sector Recapitalization PID, Draft for Mission Review," Lima, June 10, 1985.

26
Chetwynd et al., pp. 19-21.

Appendix A: Persons Interviewed

CORDECAJ

Water Ibáñez, Director General de Presupuesto y Planificación

Alejandro Otoya Montoya, Gerente PIRR

Pelayo Roncal, Oficina de Planes, Programas, Proyectos y CTI

Pablo Sánchez Zevallos, Ex-Presidente Encargado

Jaime Soto Burgos, Director Presupuesto

CORDEJUNIN

Víctor Cano, Gerente Ejecutivo

Eduardo García Trizollini, ex-Gerente de Estudios y Obras PRODERIN-Junin; ex-Gerente Microregional Mantaro

Víctor Pineda Cortijo, Gerente de Estudios

Sebastián Sánchez, Presidente

Ernesto Segura, Gerente de Racionalización

Arturo Vera, Gerente de Promoción y Finanzas

CORDELAM

Jose Arbulú Ramos, Jefe Dirección de Estudios y Obras, O.Z.R.R.

Carlos Arellano, Gerente General

Angel Barboza Bonilla, Jefe División Habilitación Urbana y Salud, O.Z.R.R.

Aníbal Cáceres N., Coordinador Técnico, Jefatura O.Z.R.R.

Luis Chinchay A., Supervisor Obras Hidráulicas, O.Z.R.R.

Fructoso Eneque F., Jefe Oficina de Administración Financiera, O.Z.R.R.

Alberto Escobar, Ruel, Gerente Administrativo

Teodoro Mendoza Callacna, Jefe División Educación, O.Z.R.R.

Alipio Peña Carrillo, Gerente de Ingeniería y Obras

Fernando Piccini, Sub-Gerente de Racionalización e Información

Víctor Silva Santisteban, Presidente

Segundo Yep, Jefe Oficina de Programación y Evaluación, O.Z.R.R.

CORPIURA

Víctor Ancajina, Asistente al Gerente de Infraestructura

Víctor Boyer Oyola, Gerente Rehabilitación

Víctor Navarro Tórres, Gerente Micro-Regional

Carlos E. Reyes Peña, Gerente de Planificación y Presupuesto

Tomás Talledo García, Gerente Infraestructura

Luis Zegarra Camminati, Presidente

CORPUNO

José Aza, Director de Obras, Proyecto Especial Plan de Emergencia

Jorge Bejarano, Director Planeamiento y Programación

José Caminada, Director Supervisión,Proyecto Especial Plan de Emergencia

Isaías Castillo Serpojón, GEDECO

Eladio Contreras, GEDECO

Carlos de los Ríos Montes, Gerente Financiero y de Promoción Empresarial

Carlos Longe, Director Programación,Proyecto Especial Plan de Emergencia

Sotaro Loza, GEDECO

Juan Carlos Málaga, Presidente

Rina Manrique, GEDECO

Percy Montesinos Rosado, Director Ejecutivo, Plan de Emergencia

Hugo Rodríguez, Director Oficina de Planificación

CORDETACNA

Hugo Angulo, Director de Presupuesto, PIRR

Robert Arce Alferez, Coordinador Administrativo, PIRR

Yuber Arteaga, Residente de Obras, Canal Huayco, PIRR

Víctor Esquives Villegas, Jefe Oficina Proyectos de Inversión, PIRR

Augusto Ronald García Ucumana, Contador, PIRR

Humberto García, Presidente

Adolfo Gonzáles Palma, ex-Jefe PIRR

Guillermo Lévano Herrera, Grupo Funcional de Programación, PIRR

Federico Nieto Becerra, Gerente

Víctor Ramírez Calderón, Grupo Funcional de Ingeniería, PIRR

Elías Salas Pinto, Residente de Estudios, Centro Piloto de Riego a Presión La Yarada, PIRR

INADE-PMS

Henri Borit Petitjean, Director Ejecutivo

Ciro Camacho, Consultor para CORPUNO

María Gorgas de Romero, Directora de Asistencia Técnica Nor-Centro

Eduardo Larrea, Consultor

José Prochaska, Consultor para CORDECAJ

Roberto Zegarra Balcázar, Consultor para CORDECUZCO

PATC-CORDES

Raúl Lizárraga Bobbio, Director Oficina de Asesoría y Análisis Básico

Raquel B. de Machicao, Directora Oficina de Capacitación

Other Public and Private Organizations

Alvaro Acre Silva Santisteban, Director, CIPA Cajamarca

Pedro Alvarado Mateo, Jefe Oficina Agro-economía, CIPA XII Huancayo

Lucio Arroyo, Presidente Junta de Usuarios, Distrito de Mantaro

Dúvilo Bocchio, Jefe Zonal de la Oficina Nacional de Apoyo Alimentario (ONAA), Tacna

César Briones, Director de Aguas y Suelos, Región Agraria XI Cajamarca

Mario Cama, Presidente Comunal Choquetanca

Comuneros de Challapujo, Puno

Comuneros de Huariconse, Puno

Anastacio Charaga, Presidente Multicomunal El Inti

Ramiro Chávez Rodríguez, Director Departmental de Caminos, Junín

Neptalí Chiri C., Presidente, Comité de Riego, Sector El Huayco, Valle de Sama, Tacna

Gastoń Flóres Justo, Vocal Comité de Riego, Sector el Huayco, Valle de Sama, Tacna

Miguel Lagos, Sub-Director Desarrollo Rural, Región Agraria XVI Junín

Julio Jesús Lira Cano, Director, CIPA XV Puno

José María López Gonzáles, Jefe Oficina Programación, CIPA XII Huancayo

Abel Pita, Director Aguas y Suelos, Región Agraria XVI Junín

Víctor H. Rondinel Cornejo, Director CIPA VIII Tacna

Luis Vargas Córdova, Director Programación y Racionalización, Región Agraria XVI Junín

Raúl Velarde Barriga, Secretario Comité de Riego, Sector El Huayco, Valle de Sama, Tacna

Oscar Velarde Ruesta, Director CIPA XII Huancayo

USAID-Peru

George Baldino, DRR Chief-of-Party

Ray Bromley, Former IRD Advisor to CORDECAJ and PATC-CORDES

Paul H. Dillon, IRD Departmental Advisor to CORDEJUNIN

David Flood, Chief Agriculture Division

James Graham, DRR Departmental Advisor to CORDELAM and CORDELIB

David W. Hess, Chief IRD Division

Elías Hill, DRR Departmental Advisor to CORPIURA

Michael Hirsh, Chief DRR Division

Henry Izquierdo, IRD Project Assistant

Mark R. Johnson, Chief Private Sector Development Division

Michael Kaiser, DRR Departmental Advisor to CORPUNO

Robert B. Kent, IRD Departmental Advisor to CORDECAJ

Keith Kline, DRR Monitoring Coordinator

Johannes Oosterkamp, DRR Irrigation Advisor

Jaime Palacios Olivos, DRR Agriculture Advisor

Robert Sparks, DRR Departmental Advisor to CORDEAREQUIPA and CORDEMOQUEGUA

Guillermo Valladares, DRR Agriculture Advisor

Appendix B: Primary Documentation Consulted

CORDECAJ

Acta, 22 de Noviembre de 1984.

Estatuto de la Corporación Departamental de Desarrollo de Cajamarca--CORDECAJ.

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Resolución CORDECAJ No.008, 15 de Enero de 1985.

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Cuadro Nominativo de Personal de la CORDE-JUNIN--1983.

Evaluación del Programa por Proyectos y Usos de Inversión--1983.

Evaluación Trimestral y Acumulada de la Ejecución del Presupuesto de CORDE-Junín por EEP y Proyectos (1984).

Memoria Anual 1982.

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