

PA-NRE-995

DN 65947

EFFECTIVE DONOR SUPPORT FOR DECENTRALIZATION:
SOME INSIGHTS FROM USAID EXPERIENCE IN PERU

Part I: Peruvian Decentralization Initiatives
and Supportive USAID Assistance

A CDIE Working Paper No. 93

by

Gregory D. Schmidt

Department of Political Science
Northern Illinois University

Center for Development Information and Evaluation

U.S. Agency for International Development

January, 1988

The views and interpretations expressed in this report are those of the author and should not be attributed to the Agency for International Development.

EFFECTIVE DONOR SUPPORT FOR DECENTRALIZATION:
SOME INSIGHTS FROM USAID EXPERIENCE IN PERU

PREFACE

EXECUTIVE SUMMARY

List of Acronyms and Abbreviations

INTRODUCTION

Scope and Organization of the Study
The Concept of Decentralization
Sources

PART I: PERUVIAN DECENTRALIZATION INITIATIVES AND SUPPORTIVE
USAID ASSISTANCE

- 1.0 DECENTRALIZATION IN PERU: ISSUES AND INITIATIVES
- 1.1 Geography and Territorial Organization
- 1.2 Center-Periphery Relations Before 1956
- 1.3 Regional Development Organizations 1956-1981
- 1.3.1 1956-1968: Decentralization from a Fragmented National Administration
 - The National Fund for Economic Development and Departmental Public Works Boards
 - Early Departmental Development Corporations
 - Patterns of Institutional Development
- 1.3.2 1968-1975: Centralization and Sectoralization
- 1.3.3 1975-1981: Abortive General Deconcentration
- 1.4 Redemocratization and Decentralization Since 1981
- 1.4.1 Contemporary Departmental Development Corporations
 - Organization
 - External Constraints
 - Internal Weaknesses
- 1.4.2 Regional Governments
- 1.5 Peruvian Decentralization Initiatives: Some Important Patterns

- 2.0 DECENTRALIZED USAID PROJECTS IN PERU
- 2.1 The Integrated Regional Development Project
- 2.2 The Disaster Relief, Rehabilitation, and Reconstruction Project
- 2.3 Common Design Features
- 2.3.1 Support For National Agencies Serving CORDES
 - The Technical Assistance and Training Program for Departmental Development Corporations (PATC-CORDES)
 - The Rehabilitation and Reconstruction Division (GRR)
 - The Sierra Microregional Project (PMS)

- 2.3.2 Central Funds for Components Meeting Project Criteria
- 2.3.3 Supportive Technical Assistance
- 2.3.4 Project Management Units
- 3.0 DIRECT PROJECT IMPACTS ON CORDES
- 3.1 Implementation, Insulation, and Institutional Space
 - 3.1.1 Predictable Resource Flows
 - 3.1.2 Predictable Program Context
 - 3.1.3 Linkages and Empowerment
- 3.2 Administrative and Technical Capabilities
 - 3.2.1 Supportive Orientation at the National Level
 - 3.2.2 General Administrative Capacity in CORDES
 - Basic Administration
 - Cost-Indexing and Contracting
 - Technical Studies
 - Information Systems and Programming
 - 3.2.3 Regional Planning Capacity and Orientation Under the IRD Project
 - 3.2.4 Increased Technical and Process Capacities Under the DRR Project
- 3.3 Impacts on Governmental Responsiveness
 - 3.3.1 The Rural Public Works Fund Under the IRD Project
 - 3.3.2 The DRR Project
 - 3.3.3 Comparisons with Central Government Agencies
- 3.4 Mobilization and Management of Resources
 - 3.4.1 Local Resource Mobilization During Construction
 - 3.4.2 Cost Effectiveness During Construction
 - 3.4.3 Investment Recuperation After Construction
 - 3.4.4 Maintenance
 - 3.4.5 Rotating Funds
 - 3.4.6 Municipal Finance
- 3.5 Project Impacts on Other Organizations
 - 3.5.1 Local Organizations
 - 3.5.2 Private Voluntary Organizations
 - 3.5.3 Private Enterprise
- 3.6 Impacts on Economic Development
 - 3.6.1 The IRD Project
 - 3.6.2 The DRR Project
- 4.0 CHANGING NATIONAL-LEVEL CONSTRAINTS: THE DONOR AS CATALYST
 - 4.1 Applied Research and the Policy Dialogue
 - 4.2 The Limits of Persuasion and Coordination
 - 4.3 Budget Reform
 - 4.4 Microregions
 - 4.5 Legal Reforms in Other Areas
 - 4.6 Comprehensive Reform Efforts
- 5.0 SUMMARY AND CONCLUSIONS

PART II: THE PERUVIAN EXPERIENCE IN COMPARATIVE PERSPECTIVE

- 6.0 EXTRAPOLATING INSIGHTS FROM THE PERUVIAN CASE:
 AN OVERVIEW

- 7.0 THE RATIONALE FOR DECENTRALIZATION: ARGUMENTS AND
 EVIDENCE
- 7.1 Better Planning, Management, and Implementation
- 7.2 Greater Governmental Responsiveness
- 7.3 Interorganizational Networks
- 7.4 Resource Mobilization and Maintenance
- 7.5 Growth With Equity

- 8.0 MOBILIZING EFFECTIVE SUPPORT FOR DECENTRALIZATION
- 8.1 The Disparate Costs of Collective Action
- 8.2 Political Entrepreneurship and Decentralization
- 8.3 Windows of Opportunity
- 8.4 Regime-Type, Governing Coalitions, and Modes
 of Decentralization

- 9.0 DECENTRALIZATION DESIGN ISSUES
- 9.1 Incremental Capacity-Building and Institutional
 Change
- 9.1.1 Evidence Supporting the Incremental Capacity-
 Building Approach
- 9.1.2 The Limits of the Incremental Capacity-Building
 Approach
- 9.2 Linkages for Strengthening Capacity and Building
 Coalitions
- 9.3 Resources and Categorical Transfers

- 10.0 THE ROLE OF INTERNATIONAL DONORS
- 10.1 A Donor-Decentralization Gap?
- 10.2 The Donor-Decentralization Gap in Peru
- 10.3 Bridging the Donor-Decentralization Gap: Some
 Insights from Peru
- 10.3.1 Money-Moving and Decentralized Implementation
- 10.3.2 Linkages and Donor Costs
- 10.3.3 Avoiding Donor Dependence
- 10.3.4 Project Management Units Reconsidered
- 10.4 The Challenge for International Donors

- 11.0 CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

REFERENCES CITED

PREFACE

As a direct participant in the unfolding of USAID/Peru's work in support of decentralization in Peru from 1983 to 1986, I feel both uniquely qualified and less than completely objective in reviewing Greg Schmidt's work. I believe that the reader will be the final judge of the extent to which Schmidt's work is useful. I can only offer commentary from my personal perspective, which has been profoundly influenced by my experience in Peru. That perspective unabashedly views decentralization of authority, financial management, decision-making, and resource allocation as necessary to empower people who have to live with the results of programs and projects intended to benefit them.

Schmidt's work examines USAID support for the Peruvian government's decentralization efforts through the Integrated Regional Development (IRD) Project, the Disaster Relief, Rehabilitation and Reconstruction (DRR) Project, and Program Development and Support (PD&S) funded activities. The common element in the IRD and DRR Projects was their use of decentralized organizations, especially Departmental Development Corporations (CORDES), as planning and implementing agencies.

The IRD Project began in 1979 as an experimental project which sought to test the viability of linking investments with institutional development in two highland departments. In 1983 its mandate was expanded to promote the institutional development of CORDES and municipalities throughout the country. Operating through CORDES in 15 of Peru's 24 departments during the 1983-1987 period, the DRR Project helped the country to recover from the "El Nino" related disasters of 1983 by supporting the rebuilding and rehabilitation of infrastructure, the recapitalization of poor farmers, and measures to alleviate the effects of future disasters. During the 1984-1986 period USAID/Peru tried to link the lessons learned from these projects to more permanent institutional changes through applied research financed by Program Development and Support Funds and through policy dialogue with organizations and individuals in the public and private sectors.

The outcome of Schmidt's work is an extensive review of these efforts, a comprehensive assessment of what they contributed to decentralization in Peru, and a thorough analysis of how they compare with decentralization experiences in other developing countries. For the reader interested in focusing quickly on major findings and their applicability to development work, he provides an excellent synopsis in the Executive Summary. For the reader interested in extensive treatment of the Peruvian experience, Part I (published separately by CDIE as a "Working Paper") offers a detailed account of Peruvian decentralization efforts and supportive

USAID assistance. For the reader who wants an analysis of the Peruvian experience vis-a-vis the literature on decentralization in developing countries, Part II provides insightful commentary and some bold hypotheses offered to guide future research;.

Throughout the study Schmidt displays an exceptional ability to relate the details of two very complex projects to broader issues. The most important lessons drawn out and analyzed by him deal with the political dynamics of decentralization in the Peruvian context, and what can be generalized from that experience. He goes well beyond invocation of the need for political support, examining with keen insight the conditions and strategies conducive to creating such support.

Perhaps Schmidt's most important and original contribution is the treatment of interest group politics and the motivations affecting group and individual behavior toward decentralization. In addition, Schmidt's analysis of the role of donor organizations in the decentralization process is insightful and of particular use to the donor community. He also makes a commendable effort to address how decentralization efforts can be sustained, even though sustainability was not emphasized in either project.

It is fitting that Schmidt's work on government decentralization in Peru is being published just one year after Hernando de Soto's benchmark study of Peru's informal economy called for greater empowerment of the private sector in economic affairs. In his best-selling book, El Otro Sendero, de Soto argues persuasively that a top-heavy Peruvian government is suffocating economic growth through over-regulation of business and that effective channels for private sector input and feedback in the policy process are necessary for long-term success. Schmidt's work on governmental decentralization draws similar conclusions with respect to the need to release regional and local governments from stifling central controls and to increase their accountability to the public.

In conclusion, Greg Schmidt's work is highly relevant for those of us who seek to help governments to more efficiently and equitably carry out the process of economic development. By "picking apart" the Peruvian case and analyzing lessons learned there in light of the broader experience with decentralization world-wide, he has made a substantial contribution to our understanding of the dynamics and impacts of governmental decentralization. If, with Schmidt's help, we can find more effective means to bring development planning and implementation closer to the intended beneficiaries of such efforts, then we have a better chance of producing meaningful and sustainable results.

David W. Hess
USAID/Bolivia

EXECUTIVE SUMMARY

This study presents an evaluation and comparative analysis of recent Peruvian decentralization initiatives and of USAID support for these initiatives through the Integrated Regional Development (IRD) Project (527-0178), the Disaster Relief, Rehabilitation, and Reconstruction (DRR) Project (527-0277), and Program Development and Support (PD&S) funded activities.

The Introduction discusses the growing interest of international donors and developing countries in decentralization; explicates the rationale for the study; outlines its scope and organization; and defines the concept of decentralization.

Part I of the study analyzes the historical evolution of Peruvian decentralization initiatives; describes the objectives and designs of the IRD and DRR Projects; evaluates their direct impacts on decentralized organizations; and reviews USAID's attempts to link projectized assistance to institutional reform.

Drawing on the Peruvian case study, Part II critically examines some key issues and working hypotheses identified in the recent literature on decentralization in developing countries. The richness of the Peruvian case also affords many opportunities to formulate alternative and supplementary hypotheses, which could help advance the state-of-the-art to a higher level. This part of the study relates evidence on the impacts of decentralization in Peru to the larger literature; addresses the mobilization of support for decentralization; critically examines some key design issues in the literature; and reviews the role of international donors in supporting decentralization.

The study has been designed in such a way that readers who are primarily interested in the broader, comparative relevance of USAID experience in Peru may read only the Introduction and Part II, which are published in an A.I.D. Program Evaluation Discussion Paper. The Introduction and Part I are contained in a CDIE Working Paper, which is available from the A.I.D. Library.

The study sheds light on a number of interrelated issues: (1) the impacts of decentralization policies; (2) the linking of projectized assistance to institutional reform; (3) the mobilization of support for decentralization; (4) the balancing of capacity-building and institutional change; (5) the use of interorganizational linkages for multiple objectives; (6) the design of financial transfers; and (7) the ability of international donors to effectively support decentralization.

The Impacts of Decentralization Policies. The major legacies of the IRD and DRR Projects are improved decentralized planning and implementation capabilities that are more flexible, efficient, responsive, and innovative than those of the central government. The projects also enhanced the abilities of decentralized organizations to mobilize and manage resources; strengthened interorganizational networks at the regional and local levels; reinforced the private sector; made positive contributions to Peru's economic development; and reached economically and socially disadvantaged groups.

These positive impacts not only demonstrate that there is a strong rationale for decentralization in Peru, but also can be added to the small but growing body of empirical evidence in favor of decentralization in developing countries.

Linking Projectized Assistance to Institutional Reform. Notwithstanding the relative successes of the IRD and DRR Projects, their impacts probably would have been only temporary and limited if national constraints hindering the development of decentralized institutions had not been ameliorated. USAID had considerable success in linking the IRD and DRR Project experiences to institutional reforms furthering decentralization. Lessons learned from project experience gave rise to applied research on decentralization issues relevant to the policy dialogue. Proposals developed through this research were articulated by a decentralist lobby that in large part grew out of the IRD and DRR Project experiences. Organizations and personnel affiliated with USAID projects played key roles in winning budgetary reforms that give decentralized organizations more predictable funding and greater autonomy; in influencing the organization and operation of microregions; and in shaping the new system of regional governments.

This experience demonstrates that donor agencies can play a critical catalytic role in securing reforms that increase the viability of decentralized organizations, while respecting the self-determination of recipient countries. It also shows that effective donor support for institutional reforms favoring decentralization can be a logical outgrowth of project experience, although the link is not likely to be made within the bounds of the traditional project mechanism.

Mobilizing Support for Decentralization. Analysis of the Peruvian case casts doubt on recent emphasis of political commitment as a major determinant of decentralization. Although almost all political actors in Peru support decentralization in principle, few if any are willing to invest significant amounts of political capital in decentralizing initiatives. By applying some elementary concepts from the "public choice" school of policy analysis to the Peruvian

case, it is possible to derive hypotheses which may help to resolve this paradox and similar gaps between objectives and results in other developing countries:

Collective action is usually much easier for opponents of decentralization than for its potential beneficiaries. The costs and benefits of collective action for and against decentralization are influenced by the organization and scope of the central government; the importance and alignment of ethnic, religious, and social cleavages; and linkages to other issues. (Hypothesis 1)

In competitive political systems "political entrepreneurs" will seldom invest in the implementation of decentralization policies, which typically provide relatively low returns in the form of political support while entailing high political costs. (Hypothesis 2)

Effective political support for decentralization is most likely to be mobilized during windows of opportunity when extraordinary events or factors alter the normal calculations of political actors in a direction more favorable to decentralization. (Hypothesis 3)

Authoritarian regimes are most likely to support deconcentration, while democratic regimes are likely to place at least rhetorical emphasis on devolution. (Hypothesis 4)

Regardless of regime-type, the ability of a government to support decentralization is strongly influenced by the strength and programmatic unity of its supporting coalition. (Hypothesis 5)

Balancing Capacity-Building and Institutional Change. USAID experience in Peru suggests that the incremental capacity-building approach to decentralization emphasized in the recent literature is fundamentally sound but incomplete. Capacity-building strategies cannot be designed without reference to the broader political system. In highly centralized political systems, such as Peru, capacity-building efforts soon run into limits which can be changed only through institutional reform at the center. From the Peruvian experience emerge several hypotheses which may shed light on relationships between capacity-building and institutional change:

In highly centralized political systems, and perhaps in other contexts as well, technical assistance is best designed on a rolling basis as cen-

tral constraints and the needs of decentralized organizations are better understood. (Hypothesis 6)

In highly centralized political systems incremental capacity-building and efforts to achieve institutional reform are both necessary and potentially reinforcing, although simultaneous pursuit of both objectives requires considerable management skill. (Hypothesis 7)

In highly centralized political systems the role of the donor in "insulating" technical assistance efforts from central political and bureaucratic pressures is crucial to maintaining their integrity. (Hypothesis 8)

Since capacity-building and institutional reform are likely to follow different rhythms, the long-term time perspective required by the incremental capacity-building approach must be supplemented with an understanding of and sensitivity to political cycles and other opportunities for reform. (Hypothesis 9)

Using Interorganizational Linkages for Multiple Objectives. The recent literature has emphasized the importance of reorienting and strengthening central organizations to better support decentralization and of designing appropriate interorganizational linkages to build on strengths and to compensate for weaknesses at different levels. The Peruvian case provides significant evidence in support of these emphases, while suggesting a strategy for achieving reorientation at the center and demonstrating that interorganizational linkages can serve other functions while they build capacity. Two hypotheses are:

In highly centralized political systems working through project-related units within key national-level organizations is the most effective way of establishing or reinforcing central organizational capacities to assist decentralized organizations. (Hypothesis 10)

Interorganizational linkages formed initially and primarily for the purpose of addressing administrative weaknesses also can be used to (a) increase the access of decentralized organizations to political authority within existing legal parameters; (b) effectively mobilize support for institutional reforms that favor decentralization; and (c) spread innovations generated through project experience at the periphery. (Hypothesis 11)

Designing Financial Transfers. The recent comparative literature argues that financial transfers, even if modest and supervised from the center, are a key catalyst for effective decentralization. USAID project experience in Peru confirms this view, while providing insights regarding the categorical transfer mechanism employed under both the IRD and DRR Projects. Several hypotheses on this topic can be extrapolated from the Peruvian case:

Categorical transfers from central project funds to decentralized organizations can be a practical and effective way to increase the role of decentralized organizations in resource allocation during the initial stages of decentralization. Among the potential advantages of this mechanism are: (a) political practicality; (b) predictability; (c) versatility; (d) congruence with the incremental capacity-building approach to decentralization; and (e) stimulation of interorganizational coordination. (Hypothesis 12)

Central project funds must be administered by an agency whose organizational objectives and procedures are congruent with the project and the objective of assisting decentralized organizations. (Hypothesis 13)

A pre-requisite for successful use of categorical transfers is consensus on clear, easily understood criteria which can be operationalized. (Hypothesis 14)

Improving Donor Support for Decentralization. The recent comparative literature on decentralization maintains that assistance from international donors is often crucial to decentralization efforts--a conclusion strongly supported by this analysis of USAID experience in Peru, which also provides some additional rationales for donor involvement. But much of the more general literature on foreign assistance argues that organizational imperatives of major donor agencies severely constrain their abilities to effectively support the development of decentralized institutions. The current analysis suggests that there are potential congruities and synergisms, as well as tensions, between the needs of donors and decentralized organizations. Working through decentralized organizations may imply benefits, as well as costs, to donor agencies, while appropriate project design may allow donors to transcend some of the apparent trade-offs between effective implementation and institution-building. The following hypotheses are posited and discussed:

Where project implementation is likely to be hindered by slow or unpredictable resource transfers

through the 'central government, it is faster to work through decentralized organizations that receive resources directly from the donor. (Hypothesis 15)

While they can facilitate the incremental capacity-building approach to decentralization, categorical transfers from project funds also can be used to "move money" in large amounts. (Hypothesis 16)

The threat of the money-moving syndrome to institutional development varies considerably with the task and project at hand. (Hypothesis 17)

Linkages between supportive national agencies and decentralized organizations can drastically lower costs to the donor agency in terms of staff time. (Hypothesis 18)

Where there are alternative channels for implementation, direct financial ties between the donor and decentralized agencies can increase the donor's flexibility and lessen the dangers of it becoming captive to any one organization. (Hypothesis 19)

In highly centralized contexts PMUs within permanent decentralized agencies can be used to facilitate both institution-building and implementation objectives. (Hypothesis 20)

The long-term institutional impacts of PMUs are likely to be greatest if they are established within agencies having broadly congruent goals rather than being merged into existing agencies. (Hypothesis 21)

If higher salaries are needed to attract superior personnel to a PMU, organizational jealousies will be less if salary differentials are limited to a few key persons. (Hypothesis 22)

Given the importance of appropriate design to both the feasibility and effectiveness of donor support, a new premium must be placed on developing and using donor capabilities for institutional analysis. Donors must (1) find ways of building support for decentralized organizations into a variety of projects, and of linking this projectized support to institutional reform; (2) take a more active role in building political support for institutional reform, while respecting the political traditions of the recipient country; and (3) not allow the long-term objective of decentralization to become a hostage to short-term fads.

LIST OF ACRONYMS AND ABBREVIATIONS

ATI	Comprehensive Technical Assistance and Training Program for Municipalities
CEPS	Center for Social Studies and Promotion
CER	Peruvian Center for Regional Development Studies
CODE(S)	Departmental Development Committee(s)
CONAR	National Regionalization Commission
CORDE(S)	Departmental Development Corporation(s)
CORDE-Cajamarca	Departmental Development Corporation for Cajamarca
CORDE-Huan- cavelica	Departmental Development Corporation for Huancavelica
CORDE-Junin	Departmental Development Corporation for Junin
CORDE-Piura	Departmental Development Corporation for Piura
DRR (Project)	Disaster Relief, Rehabilitation, and Reconstruction Project
FNDE	National Fund for Economic Development
GAO	U.S. General Accounting Office
GRR	Rehabilitation and Reconstruction Division
ILADER	Institute of Applied Research for Decentralization
INADE	National Development Institute
INAP	National Public Administration Institute
INFOM	National Institute for Municipal Development
INP	National Planning Institute
IRD (Project)	Integrated Regional Development Project
KMTDF	Key Market Town Development Fund

MEF	Ministry of Economics and Finance
MIPRE	Ministry of the Presidency
OFDA	Office of Foreign Disaster Relief
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 Development of the Affected Zone
PACD	Project Anticipated Completion Date
PADRU	Rural Development Support Project
PATC-CORDES	Technical Assistance and Training Program for Departmental Development Corporations
PD&S	Program Development and Support
PEDMEES	Special Project for the Development of Microregions in Economic and Social Emergency
PIRR (unit)	Comprehensive Rehabilitation and Recon- struction Program--project management units under DFR Project
PLAN MERIS	Improved Water and Land Use in the Sierra Project
PMS	Sierra Microregional Project
PMU(s)	Project Management Unit(s)
PRODERIN(s)	Project for Integrated Regional Develop- ment--project management units under IRD Project
PRODERIN-Caja- marca	PRODERIN unit for Cajamarca
PRODERIN-Junin	PRODERIN unit for Junin

PVO(s)	Private Voluntary Organization(s)
RPWF	Rural Public Works Fund
RWSES	Rural Water Systems and Environmental Sanitation Project
SAR	Secretariat for Regional Affairs
SINAMOS	National Support System for Social Mobilization
UFRD	urban functions in rural development
USAID	United States Agency for International Development

INTRODUCTION

In recent years "decentralization" has emerged as a cutting edge topic in the developmental literature, as leading analysts in the field have argued or suggested that decentralized organizations in the public and private sectors may facilitate various development objectives. Over the last fifteen years, a number of developing countries have attempted significant decentralizing initiatives.¹ Moreover, as major international donors have searched for ways to support more egalitarian, participatory, and self-sustaining development efforts since the mid-1970s, they have displayed increasing interest in various modes of decentralization in developing countries. During the 1980s, a wide range of donor agencies--including the Commonwealth of Nations, various United Nations organizations, the United States Agency for International Development, and the World Bank--have sponsored significant research or conferences on decentralization (see Conyers 1983: 97-98 and 1984: 191-192).

The policy of the United States Agency for International Development (USAID) states that "investments in national public institutions must be balanced both by the establishment of decentralized institutions at the regional and local levels and by encouragement to the private sector" (USAID 1983a: 4). From 1979 to 1987 USAID supported decentralization efforts of the Peruvian government through two major projects--the Integrated Regional Development (IRD) Project (527-0178) and the Disaster Relief, Rehabilitation, and Reconstruction (DRR) Project (527-0277)--as well as through Program Development and Support (PD&S) funded activities. These efforts not only have significantly improved the performances of decentralized agencies in Peru, but they also have contributed to significant institutional reform at the national level.

Analysis of Peruvian decentralization initiatives and USAID's support of these initiatives is worthwhile for five major reasons. First, the experiences of the IRD and DRR Projects provide significant evidence that there is a strong rationale for decentralization in Peru--a rationale which is consistent with the expressed objectives of recent Peruvian governments and with majority public opinion. Second, these projects demonstrate that it is possible for donors to link decentralized project implementation to reforms which are necessary for the long-term development of decentralized organizations in many countries. Third, review of Peru's long

¹ The collection of articles in Cheema and Rondinelli (1983) provides the best overview of recent decentralization experiences in different areas of the developing world.

history of decentralization experiments sheds much light on the difficulties of mobilizing political support for decentralization--an issue which is poorly understood in the recent comparative literature on decentralization. Fourth, analysis of the IRD and DRR Projects provides many insights regarding design issues that have been the central concern of the recent comparative literature. Fifth, contrary to what might be predicted on the basis of much recent writing on foreign assistance, design features employed by USAID projects in Peru facilitated the development of decentralized institutions while helping the donor to meet its organizational needs.

Scope and Organization of the Study

The current study consists of two parts. Part I is contained in a CDIE Working Paper, which is available from the A.I.D. Library. Part II is published in an A.I.D Program Evaluation Discussion Paper.

Part I draws on extensive historical research, project documentation and evaluations, and interviews with key participants to discuss in some detail Peruvian decentralization efforts and supportive USAID assistance. It provides background on decentralization issues and initiatives in Peru; describes the two USAID projects; evaluates direct project impacts on decentralized organizations; and analyzes the mission's conscious strategy of linking project experience to institutional reform.

Part II draws on the arguments and evidence presented in Part I to critically examine some key issues and working hypotheses identified in the recent literature on decentralization in developing countries. This part of the study summarizes available evidence on the impacts of decentralization in Peru; draws on the Peruvian case and the public choice school of policy analysis to develop and discuss some hypotheses concerning the mobilization of support for decentralization; critically examines key design issues in light of the Peruvian case; and analyzes factors influencing the capabilities of international donors to support decentralization.

The study has been structured in such a way that readers who are primarily interested in the broader, comparative relevance of the Peruvian case may read only this Introduction and Part II.

The Concept of Decentralization

Although the study has been designed to serve different audiences, it is necessary to proceed from some common definitions. The term "centralization" has a clear and stable meaning, referring to the concentration of powers in a single head or center. But its antonym "decentralization" is actually an umbrella term for a number of distinct and even conflicting concepts since one can move away from "centralization" on different dimensions. Political authority, administrative staff, public finance, and economic activity are just several important dimensions which may be relatively centralized or decentralized. The typology of decentralization chosen ultimately depends on the task at hand (Leonard 1982: 27-29).

The most systematic research on the topic to date distinguishes four major modes of decentralization:²

1. deconcentration of administrative responsibilities or resources to lower levels of the central government;
2. delegation of responsibilities or resources for specific functions to public organizations outside of the regular bureaucratic structure--such as public corporations, regional development agencies, project management units, and other parastatal organizations;
3. devolution of legal powers or resources to sub-national governmental units substantially outside of the direct control of the central government; and
4. privitization of governmental functions or responsibilities involving private voluntary organizations, cooperatives, or private enterprise.

The above typology, which will be followed in this study, is somewhat different from usage in Peru and other Latin American countries.³

² For discussion of these modes see Cheema and Rondinelli (1983: 18-25), Rondinelli and Nellis (1986: 5-10), or Rondinelli, Nellis, and Cheema (1984: 9-26).

³ The Spanish term "desconcentracion" is similar to its English cognate "deconcentration;" however, the Spanish term "descentralizacion" means approximately the same thing as "devolution." Further distinctions among different types of "descentralizacion" are often made: descentralizacion politica generally refers to the granting of legal personality to a sub-national unit; descentralizacion finan-

The four modes identified in the typology above are "ideal-types" which are often mixed in practice. For example, recent USAID-supported decentralization initiatives in Peru have primarily supported Departmental Development Corporations (CORDES), which include representatives from ministerial field offices, elected municipal officials, and local interest groups. Moreover, CORDES have been established as transitory organizations leading to the formation of regional governments, which primarily are to embody the principle of devolution. USAID already has supported this last mode of decentralization by providing technical assistance to popularly-elected municipal governments under the IRD Project.

The above typology may be further refined in accordance with the objective of the analysis. The scope of decentralization within the public sector is of particular importance to the current study. Deconcentration and devolution both may be relatively general or specific (see Leonard 1982: 29-34).

1. General deconcentration (also called prefectorial deconcentration) occurs to the extent that a variety of tasks are deconcentrated to a horizontally-integrated administrative system.
2. Functional deconcentration (also called ministerial deconcentration) occurs to the extent that specific tasks are deconcentrated to the field units of a particular ministry or agency.
3. General devolution occurs to the extent that a variety of tasks are devolved to multipurpose representative bodies--generally speaking, local or regional governments.
4. Functional devolution occurs to the extent that specific tasks are devolved to specialized representative organizations, such as school boards or water user associations.

ciera to efforts to transfer resources to lower levels or to create greater capabilities for resource generation at those levels; and descentralizacion economica to the establishment of public firms, a usage similar to "delegation" as defined above. See Bustamante Belaunde (1986: 265-277) and Garzon (1986: 15-17).

Sources

The first section of Part I presents an analysis of decentralization issues in Peruvian history on the basis of sources cited in the text and footnotes. The remainder of Part I is based on review of project documentation, reports, and evaluations, as well as interviews with key participants. The key documentation and evaluations consulted are listed in the bibliography. Of particular importance are the mid-term and final evaluations of the IRD Project (French et al. 1983; Chetwynd et al. 1985); cost-effectiveness evaluations and surveys of beneficiaries undertaken for the IRD Project by Rural Development Services in 1983 and 1985 (see French et al. 1983: 87-127; Hatch et al. 1985); the final report of the university technical assistance team to the Integrated Regional Development Project (LRAP 1984); an extensive analysis written by the director of an IRD-supported technical assistance agency (Franco 1986); and the final evaluation of the DRR Project (Checchi 1987).

During May-July, 1985 and March, 1987, the author interviewed 23 officers and professionals in USAID; 9 officials in the Ministry of the Presidency (formerly the Office of the Prime Minister); 6 officials in the National Development Institute (INADE); 4 officials in the National Planning Institute (INP); 52 officials and professionals from CORDES in the departments of Cajamarca, Junin, Lambayeque, Piura, Puno, and Tacna; 18 leaders of other public and private organizations in the provinces; and members of two peasant communities in the Department of Puno.

This analysis has especially benefited from conversations with the managers of the IRD and DRR Projects, David Hess and Michael Hirsh; George Baldino, Paul Dillon, Henry Izquierdo, Keith Kline, and Johannes Oosterkamp of USAID/Peru; Ray Bromley and Jose Garzon, both formerly affiliated with the Lima mission; and Arthur Mudge and Fernando Cruz-Villalba of the DRR final evaluation team. The author also learned a great deal from participation in brain-storming sessions with members of the IRD final evaluation team: Eric Chetwynd, Linn Hambergren, Ronald Johnson, Dennis Rondinelli, and Patricia Wilson Salinas. Maria Reynafarje provided important information and insights on the recent evolution of the public sector and municipal development.

In addition David Hess, Michael Hirsh, Keith Kline, and Dennis Rondinelli provided written comments on drafts of the study at various stages. Dennis Rondinelli also gave useful advice regarding the focus of the comparative analysis, while Michael Hirsh's extensive written comments on the final draft were especially helpful.

All of this generous assistance does not imply agreement with the content or conclusions of the study, which remain the author's sole responsibility.

PART I: PERUVIAN DECENTRALIZATION INITIATIVES AND SUPPORTIVE
USAID ASSISTANCE

1.0 DECENTRALIZATION IN PERU: ISSUES AND INITIATIVES

Although formal authority has been highly concentrated during most of Peruvian history, since the mid-1950s several major trends--the increasing spatial concentration of the economy, high rates of internal migration, politicization of the peasantry, and the state's increased role in the economy--have helped to make decentralization an enduring political and policy concern. Today almost all major political forces--from the center-right to the Marxist left--support some sort of governmental decentralization, although there is considerable debate over which mode is most appropriate (see Iguinez et al., 1986). Many Peruvians, including the current Garcia administration, view the strengthening of regional or local governments as a pre-requisite for a more self-sustaining and equitable pattern of economic growth oriented to the poor majority. The emergence of the extreme Maoist Shining Path guerrilla group in one of the poorest and most neglected regions of the country during the 1980s has served to dramatize the decentralization issue.

Successive sub-sections below (1) provide background on Peruvian geography and the territorial organization of the Peruvian state; (2) sketch major patterns of center-periphery relations in Peruvian history before 1956; (3) analyze various decentralization initiatives at the departmental and regional levels during the 1956-1981 period; (4) examine in more detail the current system of Departmental Development Corporations (CORDES), established in 1982, and the new system of regional governments; and (5) present major conclusions regarding Peruvian decentralization efforts in the absence of donor support.

Those who are primarily interested in the impacts of the USAID projects on decentralization may wish to read only Sections 1.1, 1.4, and 1.5.

1.1 Geography and Territorial Organization

Covering almost one-half million square miles, Peru is the third largest country in South America after Brazil and Argentina. Superimposed upon the midwestern states of the U.S., it would cover almost all of Minnesota, Wisconsin, Iowa, Missouri, Illinois, Indiana, and Ohio. (Werlich 1978: 1). The country is divided into three very different natural regions:

1. The Pacific coastal desert, commonly referred to as the "coast," which accounts for approximately 12 percent of the country.

2. The Andean mountains, commonly referred to as the "sierra," which constitute approximately 30 percent of the national territory.
3. The Amazonian lowland forest, commonly referred to as the "jungle," which covers almost 58 percent of the nation.

The ceja de la selva or "high jungle"--a transitional area between the sierra and the jungle which has been the focus of recent colonization attempts--is sometimes identified as a fourth major region.

Even though some of the pre-Inca civilizations were centered on the coast, the population of the Inca empire was concentrated in the sierra at the time of the Spanish conquest in 1532. For strategic reasons the Spanish founded the capital city of Lima and its port, Callao, on the coast. Although the coast attracted a disproportionate number of colonists and immigrants from Spain and other countries, the proportion of the population living in the sierra declined very slowly between 1876 and 1940 from 69 to 62 percent. Since approximately 1950, however, patterns of economic development and internal migration (see Section 1.3 below) have contributed to a massive demographic shift toward the coast in general and Lima in particular. By 1972 the sierra accounted for only 46 percent of the population, the coast for 48 percent, and the jungle 6 percent (Ponce and Vallenias No Date: 6). In 1940 only 13.3 percent of Peruvians lived in the Department of Lima and the Province of Callao; by 1980 this figure had increased to an estimated 28 percent (Amat y Leon 1986b: 213). The estimated population for the entire country in 1985 was 19.7 million (INE 1986: 128).

The major cities of the North and Central Coast--Piura, Chiclayo, Trujillo, Chimbote, Lima-Callao, Pisco, and Ica--are located near sea-level in the principal coastal valleys, as are Moquegua and Tacna in the south. In the sierra, the major cities are located in inter-mountain valleys, or--in the cases of Juliaca and Puno--on the altiplano. With a strong hispanic tradition, Arequipa, the major southern city, culturally belongs to the coast but is located in the sierra. Iquitos, located on the Amazon, is the principal city of the jungle.

The coast and especially Lima generally enjoy a standard of living which is significantly higher than the sierra. If the median family expenditure in the country as a whole is indexed at 100, the comparable figures are 56 for the sierra, 139 for the urban coast excluding Lima-Callao, and 211 for metropolitan Lima (Thomas 1978: 2). Social statistics depict a similar pattern: life expectancy in Lima-Callao is

58 years as compared to 42 years in the sierra Department of Huancavelica; while the rate of infant mortality is 72 per thousand in the former department in contrast to 227 per thousand in the latter (Amat y Leon 1986a: 17). Beyond statistics, virtually every Peruvian recognizes that residents of the capital have access to the best educational facilities, services, and amenities.

The Peruvian state is unitary with three principal levels of territorial organization: department, province, and district. Departments are divided into provinces, and provinces into districts. These levels are administratively linked by a prefecture system, but elected governments currently exist at only the provincial and district levels and within officially recognized peasant and native communities.

At the time of independence, there were 7 departments and 58 provinces which were based on the intendencias and corregimientos of the colonial period. Since that time, population growth, the workings of the electoral and the budgetary systems, and rivalries among cities, towns, haciendas, and peasant communities have contributed to the proliferation of territorial units at each level. By 1986 there were 24 departments, the constitutional province of Callao which has quasi-departmental status, 179 provinces, and 1,747 districts (INE 1986).

The 1979 Constitution and the recent Basic Law for Regionalization (Law 24650) provide for regional governments, but do not define the regions, which could be synonymous with existing departments, group more than one department, or not respect current departmental boundaries. Most regions, however, probably will be based on departments. Efforts to establish multi-departmental and cross-departmental regions under the Morales Bermudez (1975-1980) and second Belaunde (1980-1985) administrations proved to be politically impossible, and there is no reason to believe that a different result can be achieved in the future. The current president, Alan Garcia, has publicly stated his preference for using departments as the basis for most regions.

Municipal governments at the provincial and district levels have been elected during recent periods of constitutional rule. Traditionally these bodies have provided and managed such services as civil registration, public markets, sanitation, parks, sports fields, and public libraries. Although the 1979 Constitution and subsequent laws give municipalities a wide range of developmentally-oriented responsibilities, none of the new functions outlined in recent legislation has been carried out by a majority of relevant municipal governments; indeed, most have been implemented by less than 20 percent (Althaus 1986: 26-29). At least until recently, municipal resources have been limited by weak taxing authority and capacity (Garzon 1986: 33).

Yet another level of organization--microregions--also should be mentioned, given their prominence in the current government's plans. Microregions are an effort to shape developmental jurisdictions to fit the complex reality of the Andes, which perhaps contain more environmental variation than any area of comparable size in the world (see Brush 1977: 2). These units have been delineated by the National Planning Institute (INP), and roughly correspond to river basins with some modifications to take transportation patterns into account. The Garcia administration is attempting to use microregions as the basic developmental unit, although they are subordinate to regional governments. Microregions sometimes cut across provincial lines but respect the boundaries of districts, whose elected officials double as representatives to microregional assemblies. Thus, microregions also represent an effort to link the representative function of municipal government to a unit having greater resources and larger economies of scale.

1.2 Center-Periphery Relations Before 1956

Although there was little direct institutional continuity between colonial and republican Peru, the colonial experience left a pervasive cultural legacy supportive of centralism in this and other Latin American countries. Most cities and towns were founded as administrative centers, their physical layout being shaped by meticulous instructions from Spain. Beginning in colonial times, a sophisticated urban culture emerged well before industrialization (see Veliz 1980: 218-236). While wealth and power were concentrated in cities and towns, especially Lima, the dominated indigenous masses were overwhelmingly rural.

Corporatist political structures were legitimized by an elitist political culture, which made the monarch responsible upward to the will of God, rather than downward to the will of the people. Although there were conflicts between the crown and colonists, these were largely mediated through a complex bureaucracy, whose constituent parts had overlapping jurisdictions. Such a system tended to produce stalemates to be resolved at a higher administrative levels (Skidmore and Smith 1984: 19-21).

These colonial patterns--an administratively determined pattern of urbanization, an elitist political culture, and bureaucratic mediation of disputes--all contributed to a predisposition to look toward the geographical and political locus of authority for the resolution of conflicts and problems.

Although some definite regional cleavages have been evident in Peruvian history, politics generally has not been polarized between Lima and the provinces, or between different regions since the early political conflict over the formation of the Peru-Bolivia Confederation (1836-1839). Indeed, during most of Peruvian history, national and local power have been linked by a vertical brokerage system through which provincial cliques lent virtually unconditional support to central factions on national issues in exchange for local dominance. During the early republic (1821-1844) competing local factions tended to make tenuous alliances with various caudillos. Later, as politics became more structured during the mid-19th century, rival factions struggled for control of the local electoral caucuses and prefectures, making more stable alliances with intermediate and national-level political factions.¹ Although the rules of political competition varied under successive electoral systems after the War of the Pacific (1879-1883.),² this basic pattern continued without a major challenge until the 1920s. In more backward areas, the system persisted until the agrarian reform of the Velasco administration (1968-1975).

In addition to the general centralist disposition discussed above, two principal factors explain the emergence and endurance of the provincial brokerage system. First, the exogenous sources of economic growth gave successive central political elites control over new resources which could be used for patronage. For example, rising guano revenues enabled the most notable of the nineteenth century caudillos, Ramon Castilla (President 1845-1851 and 1855-1862), to abolish the system of Indian tribute--thereby eliminating the principal source of departmental revenues, centralizing patronage in Lima, and undercutting the centrifugal tendencies of regionally-based caudillos (see especially Romero 1949: 371-374). Later, central elites derived resources from taxes on agricultural and mineral exports, foreign loans and supplier credits, and petroleum royalties, rather than having to extract them from the periphery.

¹ For discussion of the nineteenth century electoral system, see Basadre (1968: II 264-267, 275-278; 88-89, 319; IV 214-215, 224-226) and (1980: 13-40); V.A. Belaunde (1940: 32-59); and Villaran (1918: 11-13). See also the constitutional and legal norms found in Oviedo (1861: I 332-333, 344-347, 366-373, 386-391; II 16-20, 28-36, 52-53) and Pareja Paz Soldan (1954: 444-454, 509-523, 546-557, 619-621, 627, 688-689, 697).

² See Basadre (1980: 67-86), V.A. Belaunde (1940: 64-65), Miller 1982: 117), and Villaran (1918: 16-19).

Second, given ambiguously defined and even conflicting interests among and within various provincial strata, provincial actors usually stood to gain more from making alliances with central actors on the basis of particularistic advantage than from joining interest groups or political parties organized around regional, sectoral, or class issues. More traditional landowners were favored by the system of congressional representation,³ but also were dispersed throughout the rugged sierra and often competed against one another for land, labor, and water. They had no motive to unite against central authority as long as the latter did not question their effective local autonomy or quasi-feudal labor systems. Various segments of the provincial middle class, which developed along different regional export axes after the War of the Pacific, had little in common with one another. Conflicts among peasant communities rooted in the pre-conquest and colonial past inhibited effective horizontal alliances among the peasantry, but individual communities used alliances with central actors to free themselves from the domination of towns and haciendas.⁴

During the first century of the republic (1821-1919) calls for "decentralization" and "federalism" came from very different political actors having diverse motives--liberal intellectuals, caudillos out of power, and the central government itself during periods of fiscal crisis.

³ On the one hand, house seats have been nominally apportioned by population during most of the republic's history, as have senate seats since 1933. On the other hand, literacy requirements drastically reduced the size of the electorate between 1896 and 1980. The ballots of voters in the backward provinces carried extra weight since disproportionately large numbers of illiterate Indians could not vote but were nevertheless counted for the purpose of apportionment. Moreover, prior to the 1933 constitution, small rural provinces were overrepresented since each province was guaranteed at least one congressman, and senate seats were divided in accordance with the number of provinces in each department under the 1860 Constitution. For discussion, see Astiz (1969: 49-52), Basadre (1980: 24-26), and V. A. Belaunde (1940: 70-72). The relevant constitutional norms are contained in Pareja Paz Soldan (1954).

⁴ This process began around the turn of the century in some areas of the central sierra (see Samaniego 1978: 52-56; Alberti and Sanchez 1974: 51-60), and was well under way throughout the country by the 1960s. For an excellent summary of the empirical literature and analysis of vertical alliances, see Whyte and Alberti (1976).

Liberal intellectuals, who dominated most of the early constitutional conventions, favored a federal system but they were afraid that immediate adoption of federalism would exacerbate the centrifugal tendencies of the early republic, weakening the country vis-a-vis the external threats that it then faced. The 1823 and 1828 constitutions contained provisions for departmental boards (juntas departamentales), which were to serve as nuclei for departmental legislatures.⁵ The juntas functioned from 1828 to 1834, when they were abolished in anticipation of the Peru-Bolivia Confederation. Later attempts to resurrect them in the liberal 1856 and 1867 constitutions were not successful.

Caudillos and politicians out of power used "decentralization" and "federalism" as political slogans to rally support in the provinces. Leaders who attained office on a decentralist or federalist platform, however, were unwilling to implement policies which would significantly undercut central authority (Mariategui 1944: 144-151). Such an about-face was not necessarily a betrayal of provincial supporters, since no major class or sector had a consistent interest in decentralization per se. Indeed, maintenance of central authority and resources upon attaining office increased the chances of rewarding one's clientele, who in a sense also became the new "ins."

Faced with a fiscal crisis as guano revenues declined, in 1873 the government transferred additional responsibilities in education, law enforcement, and public works to a system of elected district, provincial, and departmental councils, which were primarily financed by property and other taxes collected at the local and regional levels.⁶ This system, however, was abolished in 1880 after the outbreak of the War of the Pacific.

The precarious financial organization of the state after the war prompted the establishment of a new version of the departmental boards in 1886.⁷ Made up of notables elected

⁵ For discussion of the early juntas departamentales, see Basadre (1931: 207-211), (1947: 157-162), and (1968 II: 282-283); and Caravedo (No Date: 22-23). See also Pareja Paz Soldan (1954: 460-463, 518-521, 534, 675-676, 731-732).

⁶ For discussion, see Basadre (1931: 212-214) and (1968 VII 75-80, 272-275); Mariategui (1944: 161-162); and Romero (1949: 375).

⁷ For discussion see Basadre (1931: 214-216), (1947: 164-168), and (1968 X: 228); Capunay Mimbela (1942: 100-102); Hamnergren (1974: 91-95); Mariategui (1944:

from each province in the department and responsible for education, public works, and charity in their jurisdictions, the boards were assigned revenues from local property and excise taxes. As the central government recuperated during the first two decades of the twentieth century, the boards were gradually deprived of their taxing powers and relieved of their responsibilities.

The character of the decentralization debate began to change during the 1920s for two principal reasons. First, commercial and middle sectors in the south sought to revitalize the region's economy by developing the internal market--a strategy which led to conflict with both the externally-oriented agro-exporters of the north and traditional landlords throughout the country. In an effort to rally support from other social classes in the region, these southern elites employed such slogans as "decentralization" and "autonomy" (Caravedo 1979). The Decentralist Party attacked the traditional values of the sierra landlords, extolled the Indian, and argued that development of an internal market was the key to improving the lot of the indigenous masses. The Autonomist League attempted to appeal to the incipient working class in Arequipa.

Second, the modernizing but authoritarian government of Augusto Leguia (1919-1930) attempted to destroy pre-existing political organizations, extend effective state authority outside of Lima and other major cities, and expand the state's role in development. Leguia abolished the departmental boards and suspended municipal elections, creating an alternative system of regional congresses dominated by his followers (see Basadre 1968 XIII: 47-49). He threatened traditional landowners by establishing a national police force and by using the provincial brokerage system to promote a new middle class political stratum in the provinces loyal to him.^{*} Peasant communities received official protection as the state established independent linkages with them, but they also became subject to labor conscription for road construction.

Leguia's efforts to establish a centralized but personalistic political apparatus and the concentration of public investment in Lima under his administration provoked a strong backlash among both progressive and conservative forces in the provinces. The southern decentralist movement played a key role in the overthrow of Leguia. More-

162-163); and McQueen (1925).

* See Basadre (1980: 135-137), V.A. Belaunde (1945: 209-216), Burga and Flores Galindo (1980: 139-140), and Cotler (1978: 191).

over, during the fluid political period following his ouster, a rival government based in Arequipa and supported by civilian and military leaders in Cuzco and Puno played an important role in replacing his caudillo successor with a provisional junta until elections could be held (Caravedo 1979).

During 1931-1933 representatives of the decentralist movement in the Constitutional Assembly advocated the establishment of a new type of governmental body at the departmental level, which could be used to counter the local power of landowners and to stimulate development. The 1933 Constitution outlined a system of elected Departmental Councils (Consejos Departamentales) to be financed by a number of internal taxes and responsible for most activities of the state within their jurisdictions, the major exceptions being justice, defense, and international relations (see Caravedo 1983: 24-25).

The departmental councils, however, were never established. The semi-authoritarian administrations of General Oscar Benavides (1933-1939) and Manuel Prado (1939-1945) did not implement the enabling legislation that had been passed by the Constitutional Assembly because the councils would have claimed too many resources during a period of fiscal austerity,⁹ and most councils in the north would have been controlled by the outlawed American Popular Revolutionary Alliance (APRA), the principal leftist party of the time. Also afraid of APRA, many decentralists deferred to these presidents. During this period, the central government also usurped the developmental functions foreseen by advocates of the departmental councils, undercutting demands for their implementation.¹⁰ Economic and investment policies generally furthered development of the internal market with less spatial inequality, although industry later became concentrated in Lima. With its economic demands partially fulfilled and its political demands being unrealistic in the polarized climate of the times, the southern decentralist movement unraveled.

During the democratic opening of 1945-48, demands for decentralization came from another segment of the political spectrum, as the APRA-controlled Congress established provisional municipal boards (juntas municipales transitori-

⁹ See Victor Andres Belaunde (1957: 436-437) and Caravedo (1983: 36-74), on which this paragraph is largely based.

¹⁰ The major exception to this centralizing trend was the Santa Valley Corporation, a regional agency modeled on the Tennessee Valley Authority which was founded in 1943 with the assistance of U.S. advisors.

as), which were to govern districts and provinces until municipal elections could take place. The party used these boards as an important power base in its attempt to control the central government. Not surprisingly, the juntas transitorias were relentlessly attacked by the right-wing opposition as foci of corruption,¹¹ and later were abolished under the vehemently anti-APRA government of General Manuel Odria (1948-1956).

During his authoritarian presidency General Odria had little reason to create autonomous departmental organizations which likely would have been controlled by industrialist and middle class opposition in the south or by aprista opposition in the north. At the urging of a United Nations technical assistance mission, he established an important regional development organization to coordinate relief and reconstruction after the 1950 earthquake in Cuzco, but it was centrally administered.¹² More important to Odria's urban coalition strategy was the establishment of a development authority in the port city of Callao, which was dominated by centrally-appointed members, as were several other departmental organizations set up on an ad hoc basis in response to pressures from various provincial cliques.¹³

Odria's economic policies rekindled southern grievances against centralism, as owners of smaller industrial firms in the region suffered from more liberal import policies and public investment policies increased the primacy of Lima. A 1955 general strike in Arequipa played a key role in forcing the dictator from office in 1956.

1.3 Regional Development Organizations 1956-1981

In contrast to the more regionally balanced pattern of economic growth during the 1930s and 1940s, patterns of development after 1950--expansion of the mining sector, development of the fishing sector, and accelerated industrialization--contributed to increasing spatial concentration of

¹¹ See various issues of the Boletín de la Alianza Nacional during 1948. For an aprista view, see Seoane (1957: 31-34).

¹² See Garzon (1986: 70-77, 86), Lovon Zavala and Vega Ganoza (1980?: 10), and Supreme Decree No. 36 of July 7, 1950.

¹³ See Caravedo (1983: 93-97), Decree Law 11008, and Laws 11541, 11542, 11623, 11629, 11898, and 11908.

economic activity. By the mid-1970s, Metropolitan Lima accounted for 52 percent of the gross domestic product and 70 percent of value added in the industrial sector; placed 73 percent of all bank deposits while receiving 76 percent of all loans; and contributed 90 percent of all taxes while being the beneficiary of 65 percent of public spending (Cabieses et al. 1982: 18).

The population also became more spatially concentrated--as a high rate of population growth, the stagnation of food agriculture, and improving transportation and communications contributed to massive internal migration from the sierra to major cities on the coast, especially Lima. Lima tripled in size from 600,000 to 1.8 million between 1940 and 1961, then almost doubled to 3.3 million between 1961 and 1972 (Dietz 1980: 34-35), and now has approximately six million inhabitants. Although the increasingly capital-intensive export and manufacturing sectors of the economy created little additional employment, migrants were absorbed into expanding "informal" sectors of the urban economy. Seeking low-cost housing, migrants and other urban poor organized "invasions" to settle arid public lands around Lima and other major coastal cities. By the 1980s at least one third of the population of Lima-Callao lived in the squatter settlements (Pueblos Jovenes).

Attempting to ameliorate or even to reverse this increasingly severe pattern of spatial concentration, each successive government since 1956 has established development organizations at the departmental or regional levels. In approximate chronological order, the major types of organizations have been:¹⁴

1. the National Fund for Economic Development (FNDE) and affiliated Departmental Public Works Boards which were founded in 1956;
2. early 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;
3. the regional offices of the National Support System for Social Mobilization (SINAMOS), a social mobilization agency created under the Velasco administration which functioned from 1971 to 1978;

¹⁴ For analyses of these various organizations, see especially Garzon (1986: chapters IV, VI, and VII) and Schmidt (1987: chapters 8 and 9).

4. Regional Development Committees founded after 1972 in some regions and departments;
5. the Regional Organization for the Development of the Affected Zone (ORDEZA), an earthquake relief and reconstruction agency founded in 1973;
6. Departmental Development Committees (CODES) established after 1976 with the restructuring of the Regional Development Committees;
7. Regional Development Organizations (ORDES) formed during 1977-1979, whose jurisdictions covered 15 of the then 23 existing departments; and
8. contemporary Departmental Development Corporations, generically known by the "CORDE" acronym, re-established in 1982 as transitory organizations leading to regional governments.

There is considerable continuity in the functions and personnel of these various agencies. Although their activities vary considerably over time and space, construction of public works has remained their core concern. In the six CORDES visited by the author, 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 historically have served as important catalysts for these initiatives in decentralization, 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 degree of administrative and financial dependence on the central government; relations between decentralized organizations and the field offices of the national ministries; patterns of political influence within decentralized organizations; and the amount and distribution of public investment channelled through them.

The remainder of this section sketches the evolution of departmental and regional organizations during the 1956-1981 period, while the contemporary CORDES and prospective regional governments are the focus of Section 1.4 below. Section 1.5 summarizes key conclusions regarding Peruvian decentralization efforts in the absence of donor support.

1.3.1 1956-1968: Decentralization from a Fragmented National Administration

Before 1968 the Peruvian state was characterized by severe budgetary and fiscal fragmentation. Most of the domestically-funded public investment budget was allocated by earmarked taxes to 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.

During the 1956-1968 period the balance and intensity of partisan competition under a constitutional regime increased the political importance of the provinces, where unmobilized, non-committed, and floating groups held the balance of power. "Decentralization" became an issue in the 1956 presidential campaign second in importance only to restoration of constitutional democracy. By the 1962-63 presidential campaigns, Belaunde's Popular Action Party, the Christian Democrats, and APRA all had elaborate platforms promising agrarian reform, institutional decentralization, and increased public investment in the provinces. In addition to the establishment of development organizations at the departmental level, the period saw the re-establishment of municipal elections in 1963 and ambitious community development efforts throughout the republic by agencies of the central government.

The National Fund for Economic Development and Departmental Public Works Boards.¹⁵ At the beginning of Manuel Prado's second administration (1956-1962), several factors favored prospects for a comprehensive, uniform approach to decentralization. First, the coalition supporting the Prado administration was still relatively strong and united.¹⁶ Second, conflict among the major parties was low and

¹⁵ The following discussion is primarily based on: (1) analysis of Laws 12676 and 12881; (2) review of the accounts of the FNDE and Departmental Public Works in the Cuenta General de la Republica; (3) examination of plans and reports published by these organizations; and (4) interviews with a former general secretary of the FNDE and members and employees of individual departmental public works boards. See also: Bromley (1985: 14-17), Caravedo (1983: 111-121; 137-140), Hammergren (1974: 235-244) and INP (1980a: 7-20).

¹⁶ The president's party held an absolute majority in the Senate and a sizeable plurality in the Chamber of Deputies, and he enjoyed a positive working relationship with

programmatic consensus on the regional issue was high. Third; the bureaucracy was still small and largely confined to Lima.

Law 12676 of December 1956 established the National Fund for Economic Development (FNDE) and departmental public works boards--a system which combined general devolution and general deconcentration with emphasis on the former.¹⁷ Supported by a series of old and new earmarked taxes, the FNDE was created to finance public works of "reproductive character or social interest" throughout the country (Law 12676, Article 2). 48 percent of its funds were divided equally among the 23 departments and Callao, 50 percent were allocated on the basis of population (with a special provision limiting Lima's share), and 2 percent covered administrative expenses.

At the departmental level, project selection was controlled by the respective public works board, made up of elected representatives from the functional organizations and provincial councils in the department.¹⁸ At the national level, a Superior Council of the FNDE, made up of four representatives from the public works boards and five ministerial representatives and supported by a technical staff (the General Secretariat), had to approve all departmental project lists. In practice, intervention by the Superior Council at the departmental level was usually limited to cases where local factionalism prevented the public works board from operating. The Superior Council also contracted loans and suppliers' credits, but participation of the public works boards in externally-financed programs was voluntary.

both the military and APRA. As his term wore on, however, Prado tended to expand and modify his coalition at the expense of programmatic unity.

¹⁷ There were several important precedents for this system: (1) the Unemployment Relief Fund and Boards (Fondo Pro-desocupado and Juntas Pro-desocupados) which constructed public works during the early 1930s; (2) public works boards that had been established earlier on an ad hoc basis in some departments and provinces; and (3) an aprista-backed proposal to establish an "Autonomous Public Works Fund" during the democratic opening of 1945-1948.

¹⁸ Provincial councils have been popularly elected during the 1963-1968 period and again since 1980.

¹⁹ The discussion of departmental development corporations

Early Departmental Development Corporations.¹⁷ A second and increasingly important type of regional development organization established during the 1956-1968 period was Departmental Development Corporations, which also emphasized general devolution and embodied some aspects of general deconcentration. Independently funded by specific earmarked taxes at the national and regional levels, the departmental corporations were more autonomous and controlled more resources than the public works boards. Although presidential appointees served on their governing boards, representatives from interest associations and provincial councils in the department formed a clear majority. Moreover, no central coordinating body oversaw their activities.

The first departmental corporation was established in Cuzco in 1957 as a result of a campaign promise by Prado to democratize the centrally-administered and Lima-based Junta that had been established under Odria for the purpose of earthquake relief. After a 1958 earthquake in Arequipa, a second such organization was established in that department.²⁰ Recovery from natural disasters--drought in Puno, floods in Ica--also served to justify the founding of two important regional organizations during the early 1960s. The earmarked taxes funding these various organizations, however, did not revert to the state once reconstruction or recovery from the natural disaster had been accomplished. Indeed, the founding legislation foresaw these organizations undertaking developmental activities once the tasks of rehabilitation and reconstruction had been completed.

and similar organizations below is based on: (1) analysis of relevant legislation, most of which is contained in INP (1980b); (2) review of the accounts in the Cuenta General de la Republica; (3) examination of plans and annual reports published by these organizations; (4) review of national public investment budgets, plans, and supporting documentation elaborated by the INP during the 1960s; and (5) interviews with former officials of various corporations. See also: Caravedo (1983: 121-133; 145-147), Garzon (1986: 70-95, 97-99), Dew (1969), Hammergren (1974: 244-257), and INP (1980a: 52-103).

²⁰ The names of the departmental corporations varied. The organization in Arequipa was called the Board for the Rehabilitation and Development of Arequipa (Junta de Rehabilitacion y Desarrollo de Arequipa). Organizations founded in the departments of Madre de Dios and San Martin had similar names.

Not surprisingly, departments which had not recently suffered natural disasters began to demand their "fair share" of regional development funds, and regional development per se served as sufficient justification for the establishment of subsequent departmental corporations. The formation of corporations accelerated under the first administration of Fernando Belaunde (1963-1968), who had championed this model of regional development organization during the 1962-1963 presidential campaigns. By 1968 corporations were established in 15 of Peru's then existing 23 departments. In most departments where they were established, the departmental development corporations absorbed the public works boards, administering the department's FNDE quota as well as their own earmarked taxes.

Patterns of Institutional Development. During this period, the fragmentation of national administrative structures and the limited presence of the central government in the provinces gave departmental public works boards and development corporations a considerable amount of "institutional space" in which to develop. Moreover, under the first Belaunde administration, these organizations also enjoyed considerable leverage vis-avis the central government as a result of intense rivalry between the executive and the opposition-controlled Congress. A number of central government controls existed in theory but were seldom exercised. The corporations also successfully resisted early efforts by the new 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 FNDE and corporations had to sacrifice a fixed percentage of their earmarked taxes, but they suffered less than central government agencies.

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

The proportion of direct public investment channeled through departmental-level agencies increased from 6.4 percent in 1957 to almost 30 percent in 1968, even though increasing amounts of foreign aid were mostly channelled through central government agencies.²¹ The regional distri-

²¹ The figures for these years are from the respective.

bution 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.

1.3.2 1968-1975: Centralization and Sectoralization²²

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. 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, except those for the military, were eliminated; and all income and expenditures were channeled through the treasury in the Ministry of Economics and Finance (MEF). 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 public sector share of the Gross Domestic Product increased from 11.4 percent in 1968 to 21.4 percent in 1975 (Fitzgerald 1979: 84). The number of public enterprises grew from 18 in 1968 to 174 in 1977 (Ortiz de Zevallos 1985: 166).

The departmental corporations and public works boards were quickly brought under control through direct military supervision, elimination of their earmarked taxes, absorption of their enterprises by central ministries and firms, and the expanded powers of the INP in the planning and budgetary processes.²³ Their share of direct public investment plummeted from 30 percent in 1968 to 11 percent in 1970.

Cuenta General de la Republica. They actually underestimate the share of regional development organizations during this period since some regional development organizations did not submit closed budgetary accounts to the Contraloria General de la Republica.

²² For discussion of this period, see Caravedo (1983: 173-185), Garzon (1986 101-150), and Schmidt (1987: 319-322).

²³ See Decree Law 17653 and FNDE (1970).

In 1971 the FNDE, public works boards, and corporations were incorporated into the National Support System for Social Mobilization (SINAMOS), the government's social mobilization agency. Although many professional staff previously employed by the public works boards and corporations continued to work for the regional bureaus of SINAMOS, whose activities included the implementation of small-scale public works, the new multisectoral agency accounted for less than 5 percent of public investment. 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 critical 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--opened up field offices in the provinces, but deconcentration was functional with minimum horizontal coordination through intersectoral Regional Development Committees which existed in some areas 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 (see Decree Law 18306). In May 1973, the commission became the Regional Organization for the Development of the Affected Zone (ORDEZA), an autonomous agency for earthquake relief which followed the principle of general deconcentration. Incorporating the field offices of the various ministries in the earthquake area, ORDEZA was headed by a general with ministerial rank and given independent budgetary authority.

With the earthquake and the establishment of ORDEZA the proportion of funds channeled through regional development organizations and SINAMOS 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 wound down, the agency's share began to drop during 1975 and 1976. By 1979 its successor agency received a funding share which roughly reflected the area's population.

1.3.3 1975-1981: Abortive General Deconcentration²⁴

As the so-called structural reforms were completed during the mid-1970s, the government turned its attention to the spatial organization of the state. During 1974-1975, under the direction of then Prime Minister Francisco Morales Bermudez, a more comprehensive plan for general deconcentration to the regional level had been drawn up. Following the general outline of ORDEZA, planning, budgeting, and personnel were to be deconcentrated through a new system of multidepartmental Regional Development Organizations (ORDES) which would integrate the bureaucracy horizontally.²⁵ Eventually the system would be extended down to the departmental and zonal levels.

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. With their own budgetary authority, ORDES were to assume responsibility for planning and implementing projects not considered to be of national or inter-regional scale. 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 ORDES for supplies and equipment. They would, however, 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. Consultative councils, composed of representatives from various interest groups in the region, would have a purely advisory role.

²⁴ The discussion in this sub-section is based on (1) analysis of relevant legislation, most of which is contained in INP (1980b); (2) the lists of public sector investments elaborated by the Ministry of Economy and Finance (MEF 1980); (3) review of national public investment budgets, plans, and supporting documentation elaborated by the INP during the late 1970s; and (4) interviews with officials in the INP's regional and public administration bureaus.

²⁵ For description of the ORDE model, see especially INP (1980a: 78-103).

Several months after assuming the presidency, Morales Bermudez invited public comment on the proposed Law of Administrative Regionalization that outlined the ORDE system in November 1975. Most of the public debate revolved around jurisdictional issues--especially the drawing of regional boundaries and the selection of regional capitals--rather than on the merits of the proposed ORDES. A variety of bureaucratic interests resisted the implementation of the ORDE system, or attempted to shape regional reform to suit their organizational goals. Ministers often argued that the field bureaus had limited technical capacity and that deconcentration would distort sectoral policy, while the regional or zonal military commanders heading the Regional Development Committees generally favored the ORDE system. Ministries proposed conflicting schemes of regional delimitation best suited to the boundaries of their field offices.

Although the military under Velasco had previously overcome more intense and coherent opposition in implementing the agrarian and other reforms, the Morales Bermudez government dealt from a position of declining strength and programmatic unity in the context of an increasingly severe economic crisis. Moreover, the issue was complicated by the growth and differentiation of the state during the 1968-1975 period. In 1968, only three ministries--agriculture, health, and education--had had full-fledged systems of field offices. By the mid-1970s, each of the new ministries created by sectoralization, had its own system of field offices with often overlapping jurisdictions.

Under these conditions, the president withdrew his proposal from public debate in early 1976 and pursued two less ambitious policies. First, in 1976 Regional Development Committees were restructured along departmental lines. Each resulting Departmental Development Committees (CODE) was subordinated to a supervising ministry and advised by INP departmental offices. In 1977 these committees assumed the community development functions formerly undertaken by SINAMOS, identifying "local interest projects" for implementation by the various sectors. Tensions developed between the INP field offices, who saw the CODES as a mechanism for regional planning, and the supervising ministries, who considered them as an additional budget allotment. In most cases, the ministries held more sway in budgeting (Garzon 1986: 159-160).

Second, in 1977 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. Five of the first six ORDES were established in frontier regions, reflecting the military's concern for national security and the political muscle of frontier commanders. Later, ORDES were generally estab-

lished on a departmental rather than on a regional basis.²⁶

By the end of the Morales Bermudez administration in 1980 the ORDE system covered 15 of the then 23 existing departments. Only two of the ORDES were truly multidepartmental: ORDENORTE (Piura, Tumbes) and ORDETAM (Tacna, Moquegua), and the latter had separate budget lines for each of its two departments. ORDESO, a multidepartmental agency based in Cuzco was split into three ORDES under pressure from the smaller departments of Apurimac and Madre de Dios (Garzon 1986: 168-169). ORDES were never established in Lima and the departments of the central and northern sierra, which continued under the CODE system. Even where multi-departmental ORDES were established, CODES continued to operate independently.

In all but one of the ORDES established, the regional director was the ranking military commander of the region. Consultative councils were never established, or existed only nominally.

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 ongoing projects. Ministries learned to circumvent ORDES by using the broadest possible definition of sectoral policy, creating centrally-administered special projects, or grouping small projects into "national" programs. Consequently, the proportion of public investment administered by ORDES and CODES remained below 5 percent.

1.4 Redemocratization and Decentralization Since 1981

During the late 1970s Peru was convulsed by major strikes and demonstrations of regionally based popular movements protesting economic austerity, lack of public investment in their respective regions, and political centralization (see especially Garzon 1986: 151-159). Under pressure from such movements on the north coast and in the jungle, the central government earmarked part of a petroleum royalty tax to departments producing or refining this product. In this heated context, decentralization became one of the major issues in the 1978-1979 Constitutional Assembly (see Caravedo 1983: 195-200; Garzon 1986: 252-256). The 1979 Constitution provides for a system of autonomous regional and municipal governments with broad responsibilities in economic development (see Peru 1979, Capitulo XII and Section 1.4.2 below).

²⁶ These were called Departmental Development Organizations, but they shared the same "ORDE" acronym.

Since controversy over regional boundaries and capitals had frustrated previous regionalization efforts, the Constitution gave the executive branch considerable leeway in delineating regions. Within three years of assuming office, the president would submit a regionalization plan to Congress, which would then have a year to accept or reject the plan without amendment. The plan would become law automatically if Congress failed to act. If Congress rejected the plan, the executive would submit a new proposal under the same ground rules (see Peru 1979, Titulo VIII, Novena).

Regional governments would be created within four years after passage of a regionalization plan. In the meantime, the Constitution provided for the re-establishment of the pre-1968 Departmental Development Corporations as transitional organizations. Since most, if not all, regions are likely to be based on departments (see Section 1.4.2), the corporations are likely to serve as cores of the new regional governments. In 1982 Law 23,339 re-established the corporations, which are known by the "CORDE" acronym.

1.4.1 Contemporary Departmental Development Corporations¹⁷

Since their re-establishment, CORDES have had a predominant public works orientation, which reflects their organizational heritage and the emphasis of Law 23,339. In 1985 CORDES accounted for 18.9 percent of all executed public investment, with the comparable figures being 12.8 percent for the central ministries, 1.2 percent for the national community development agency (Cooperacion Popular), 27.3 percent for autonomous agencies, and 39.8 percent for public enterprises. In 1986 the CORDE share of executed public investment rose to 24.4 percent.¹⁸

Nevertheless, given the expansion, centralization, and sectoralization of the Peruvian state during the 1968-1975 period, contemporary CORDES are developing in a context very different from the pre-1968 corporations. Whereas the earlier corporations faced a central government marked by severe budgetary and financial fragmentation in a growing

¹⁷ Discussion under this heading is primarily based on analysis of Law 23,339, CORDE documentation reviewed by the author (see Schmidt 1985: Appendix B), Franco (1986), and interviews with officials in six CORDES.

¹⁸ Figures on public investment in this paragraph have been computed from data provided by the Investment Programming Bureau (Direccion General de Programacion de Inversiones) in the National Planning Institute (INP).

economy, the latter CORDES have confronted a more integrated central government. 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 (1963-1968) different party coalitions controlled the executive and legislative branches, giving the constituents of departmental development agencies some leverage against the center. The second Belaunde (1980-1985) and Garcia administrations (1985-1990) have controlled absolute majorities in Congress.

These changes in the scale and spatial organization of the central government, the political incentives for decentralization, and economic conditions have contributed to policies which severely limited the "institutional space" for CORDE development. Direct political interference from the center has distorted the organizational structure of CORDES and undermined their autonomy. Centrally-imposed regulations stifle CORDE initiative, much like the economic regulations and policies of the Peruvian government have undercut private initiative in the "formal" economy and contributed to the development of a huge "informal" economy.

The remaining discussion under this heading presents an overview of these external constraints and related difficulties in CORDE organization and operation as they existed during most of the 1982-1985 period. Sections 3 and 4 below assess the degree to which USAID activities have helped CORDES to overcome these problems.

Organization. Although loosely modeled on the pre-1968 corporations, CORDES are governed by uniform national legislation, especially Law 23,339, which combines attributes of general devolution and general deconcentration. All CORDES have an assembly, a directorate, a general manager, and a president. The assembly is made up of equal numbers of provincial mayors, representatives of professional and economic organizations, and ministerial field offices. From its members the assembly elects three members of the five person directorate--with the provincial mayors, the professional and economic organizations, and the ministerial field offices each having one representative. The mayor of the departmental capital is an automatic member of the directorate. The president of the CORDE, who is appointed by the President of Peru, is the other automatic member. The directorate is responsible for the organization of the CORDE and selects its general manager, while the president of the CORDE selects key staff.''

' ' In practice several CORDES have operated without a general manager--an organizational variation which increases

As CORDES were re-established under the second Belaunde administration, selection of representatives to the assembly from private organizations and ministerial field offices was manipulated to favor the governing party. With most of its membership owing their positions to central actors, it is not surprising that the assemblies played largely passive roles during this period. Most assemblies met only 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. Real power rested with the centrally appointed president, the directorate, and the general manager. CORDES were placed under the supervision of a Secretariat for Regional Affairs (SAR) in the Prime Minister's Office, staffed primarily by political appointees.

Under the current aprista government, the president of Peru has continued to appoint the CORDE presidents. The Garcia administration also has had little trouble gaining effective working majorities within the CORDES through its control over ministerial representatives, the APRA majority among provincial mayors after the 1983 municipal elections, and influence in the composition and selection of representatives of professional and economic organizations. CORDES are currently under the supervision of the Ministry of the Presidency, staffed largely by political appointees like the Prime Minister's Office which it replaced.³⁰

External Constraints. Not only has CORDE leadership largely been determined from above, but once selected it has lacked autonomy in decision-making. Under the Belaunde administration CORDE sub-projects and components were often capriciously reversed or delayed by the central government during the budgeting process. In some departments as much as 60 percent of the CORDE budget was changed by Congress--whose members under the 1979 Constitution no longer control specific budget lines for their jurisdictions (iniciativas parlamentarias). Since any decision reached was only tentative, there were few incentives for meaningful negotiation at the departmental level. The sense of responsible bargaining--the spirit of "give and take"--which is so crucial to developing democratic institutions failed to take hold in most CORDES. Indeed, groups in the minority on a given decision frequently have undermined the CORDES' integrity by appealing to central actors and organizations. During implementation, the required approval of budgetary modifications by the MEF and Congress usually resulted in long de-

the power of the CORDE president.

³⁰ Several of the CORDE presidents appointed by President Garcia were mayors of the departmental capitals and served in both positions simultaneously.

lays.

This lack of autonomy is closely related to the lack of an independent and predictable resource base. Most corporations depend upon the central government for virtually all of their revenues.³¹ Moreover, the Finance Ministry's practice of limiting or delaying authorized revenues through its disbursement procedures (see Section 1.4) has resulted in very unpredictable revenue flows to CORDES. The corporations often received 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. This unpredictability also has contributed to procurement problems since contractors and suppliers consider the corporations to be unreliable.

The "institutional space" for CORDE development also has been limited by nationally-imposed legislation and regulations which are often inappropriate, constricting, or contradictory. 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. CORDE administrative structures are often overwhelmed by onerous and ever-changing programming, budgeting, and reporting requirements imposed by Congress, the Finance Ministry (MEF), the National Planning Institute (INP), the National Public Administration Institute (INAP), and the Comptroller General.

The sectoral orientation of national legislation has limited or hindered the range of potential CORDE activity. For example, upon completion, infrastructure projects must be delivered to the appropriate sector. Ministerial field offices often jealously protect their turf, even though they usually lack the financial resources to administer effective programs.

Internal Weaknesses. CORDES also have had a number of internal weaknesses. Most CORDES are top-heavy, as generally weak administrative offices tend to be the dumping grounds for patronage employees. Administrative personnel accounted for over 60 percent of the personnel in two of the CORDES visited. CORDES generally have had weak planning capabilities. Plans were usually little more than "laundry lists" of desired investments, but even if based on a sound investment strategy, they seldom have shaped the actual

³¹ The exceptions are four CORDES which receive earmarked taxes on petroleum produced in their department and the corporation in the port city of Callao, which enjoys some customs revenues.

budget. Many, if not most, investment decisions have been made on the basis of political or pork barrel criteria by the directorate, the general manager, or by the national Congress.

CORDE salaries are extremely low: for example, the basic salary of an engineer is less than US \$100 per month. Corruption is endemic in a context of low salaries and limited opportunities. Officials of some CORDES have been sent to prison.

Several points should be made about these internal weaknesses. First, most "internal" problems are closely related to, if not determined by, national policies or processes, as are weaknesses in the CORDES' organizational structure discussed above. Second, despite all of their problems, CORDES appear to be at least as viable on average as national-level agencies. For example, 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. Third, conversion of CORDES into regional governments could correct or ameliorate most of the internal weaknesses, while providing a much stronger legal base for addressing external problems.

1.4.2 Regional Governments

Jurisdictional disputes have delayed the establishment of regional governments, despite the transitory provision in the 1979 Constitution strengthening the hand of the executive on this matter.³² Shortly after returning to office, President Belaunde formed in August 1980 an interministerial National Regionalization Commission (CONAR), which reviewed various regionalization proposals during 1980-1982. Using a weighted formula that took into account a wide range of factors, CONAR adopted a proposal for eleven regions which did not specify regional capitals. President Belaunde submitted the proposal to Congress in January, 1983.

Although virtually all political forces in the country support "decentralization" in principle, specific provisions of the regionalization plan drew criticism from across the political spectrum. Smaller departments feared absorption by larger departments, while larger departments wanted to be distinct regions or the leading departments of larger re-

³² This discussion draws heavily on Garzon (1986: 256-288). See also Acosta Villar (1984).

gions. Given its control of key departmental capitals, the Marxist left sought to increase the powers of municipal governments. Moreover, no political party defended the CONAR proposal or offered a viable alternative, since at least in the short-run political risks and costs on the regionalization issue far outweighed any dividends. Furthermore, Belaunde's governing coalition was in disarray by this time, and the president expressed little personal interest in the issue.

In April, 1983 the Senate Committee on Decentralization rejected the executive's proposal. Officials from the INP, the Prime Minister's Office, and two USAID-supported project units then began to draft an alternative law which would have defined regional governments without specifying the regions themselves (see Section 4.6). Regional governments could then be created on an ad hoc basis, much like the ORDES had been implemented under Morales Bermudez. The proposed law was approved by the Senate in early 1985, but the Chamber of Deputies delayed action at the request of President-elect Alan Garcia.

The Garcia government eventually followed the same strategy, revising the alternative proposal with the assistance of its original authors. Promulgated on March 19, 1987 as Law 24,650, the Basic Law of Regionalization (Ley de Bases de la Regionalizacion) outlines the structure and functions of the regional governments (see Section 4.6), but not regional jurisdictions. Each regional governments will be created by a separate law which also will specify capitals and boundaries. Such laws may be proposed by the executive acting on his own initiative or at the request of the CORDES, which are to be absorbed into the regional governments. President Garcia has publicly stated his preference for using departments as the basis for most regions. The boundaries of departmentally-based regions districts could be adjusted by plebiscite in specific provinces and districts, as specified in article 4 of the law.

1.5 Peruvian Decentralization Initiatives: Some Important Patterns

An attempt to generalize about decentralization initiatives in Peru is in order before assessing the impacts of USAID projects and policies on these efforts. No less than nine major generalizations can be extrapolated from the preceding historical overview. Some of these generalizations also will be relevant for the comparative analysis in Part II.

First, the paradox of decentralization in Peru is that almost all political actors support some mode of decentralization in principle, but few if any are willing to invest significant amounts of political capital to support decentralization in practice. In a sense, decentralized governmental structures are like a public good, whose benefits are desired by many, but whose costs are difficult to allocate.

The difficulty of sustaining support for decentralization is closely related to a second pattern: short term political calculations usually have taken precedence over a commitment to decentralized political institutions. Not surprisingly, central elites are reluctant to embrace measures which might undermine their authority in the short run, even if they might pay political or economic dividends over the long run. In addition, political actors in the provinces usually have valued immediate policy concessions from the central government over institutional autonomy which might be beneficial in the future. When nominally decentralized organizations such as the CORDES are established, they can be undercut by provincial actors appealing to the center to overturn decisions not in their short-run interest. Thus, centralism can easily become a vicious and self-perpetuating circle.

Third, given these first two points, it is not surprising that an extraordinary "shock" or exogenous factor is usually needed to stimulate decentralizing initiatives. One such factor is an autocratic government, which offends major provincial strata, such as the presidencies of Leguia and Odría. Since 1950 natural disasters also have served as important catalysts for decentralization to the departmental and regional levels, although the scope and character of decentralization initiatives have been influenced by other factors. In Section 4 below and in Part II, it will be argued that an exogenous actor, USAID, has played a critical catalytic role in decentralization initiatives during the 1980s.

Fourth, when decentralizing initiatives do occur, there is a correlation between the type of regime at the national level and the mode of decentralization at the sub-national level. Deconcentration was the most important mode of decentralization under the authoritarian military regimes of the 1968-1980 period, while the elected democratic regimes of the 1956-1968 and post-1980 periods placed greater emphasis on devolution.

Fifth, there is a correlation between the strength and programmatic unity of the governing coalition--whether it be civilian or military--and its ability to undertake major administrative reforms, including those related to decentralization. Establishment of the FNDE system under Prado and

the restructuring of the state under Velasco occurred when these respective administrations were relatively strong and united by consensus on these issues. In the absence of this condition, pressure groups or bureaucratic agencies are likely to shape or undermine any reform, as exemplified by the ad hoc formation of departmental development corporations under the first Belaunde administration and the Morales Bermudez administration's inability to implement ORDES in accordance with a comprehensive plan. The current Garcia government is politically dominant and enormously popular, but it remains to be seen if this administration will continue to have the strength and programmatic unity to actually implement the new system of regional governments.

Sixth, since a presidential administration is likely to be strongest and most united at the beginning of its tenure, decentralization like other major reforms is highly susceptible to presidential cycles. It is no accident that the most significant decentralization initiatives have come during the first year or two of a presidential administration after which the window of opportunity rapidly closes.

Seventh, the scope and organization of the central government have strongly influenced the "institutional space" available for the development of decentralized organizations. For example, as a result of the expansion, centralization, and sectoralization of the state during the 1968-1975 period, the post-1982 CORDES have faced centrally-imposed constraints which were much more severe than those encountered by the pre-1968 corporations.

Eighth, decentralization efforts which observed existing departmental boundaries (the departmental public works boards, early corporations, development committees, and CORDES) faced less opposition in the provinces than those which attempted to establish multidepartmental regions (the ORDES and the CONAR plan).

Ninth, following the pattern established by the provincial brokerage system, decentralization initiatives in Peru have emphasized resource transfers rather than the mobilization of resources by regional units. While the FNDE and the early corporations achieved a high degree of budgetary autonomy, this was primarily accomplished through the "capture" of national-level earmarked taxes, rather than by the generation of resources in the provinces. ORDES and CORDES were almost totally dependent on transfers from the central government. Regional governments, however, have the potential for breaking from this pattern.

2.0 DECENTRALIZED USAID PROJECTS IN PERU

Beginning in 1979, USAID collaborated with Departmental Development Corporations (CORDES) and their predecessor organizations on two quite different sorts of projects. The \$16.6 million Integrated Regional Development (IRD) Project (527-0178) began as a pilot project designed to test an urban-rural investment strategy and to increase the regional planning capabilities of decentralized agencies in two departments of the sierra. In contrast, the objective of the \$65 million Disaster Relief, Rehabilitation, and Reconstruction (DRR) Project (527-0277)--the largest ever undertaken in Peru by USAID--was to support recovery from natural disasters, rather than to build institutions or to test a development strategy.

This section provides a simple descriptive overview of these projects, while Section 3 below assesses their impacts on CORDES and supporting national organizations. Analysis of the projects' contribution to broader institutional reform is included in Section 4.

2.1 The Integrated Regional Development Project

Initiated in 1979 and largely completed at the end of 1986, the \$16.6 million¹ IRD Project sought to increase the capacities of decentralized agencies in two departments of the sierra, Cajamarca and Junin, to plan and implement infrastructure. The project paper foresaw three major types of investment in infrastructure: (1) productive rural infrastructure such as irrigation and terracing in areas with high agricultural potential; (2) investment in urban infrastructure (electricity, water and sewerage systems, facilities for storage and processing agricultural products, markets, slaughterhouses, transport terminals, street paving, municipal equipment, and similar investments) in key market towns and rural service centers; and (3) rural roads linking the priority rural areas to key market towns and rural service centers (USAID 1979: 31-39). Despite the project's name, this strategy of selectively promoting urban-rural linkages should not be confused with the more comprehensive approach followed by most so-called integrated rural development projects.²

¹ This figure included a \$15 million loan and a \$1.6 million grant for technical assistance. Peruvian counterpart funding was \$6.5 million.

² The investment strategy articulated in the project paper

The project paper and agreement also called for the use of mechanisms that would facilitate beneficiary participation in the identification, planning, construction, and maintenance of public works. With the goal of sustainability in mind, the project introduced the concepts of user charges and cost recovery. Other components were designed to increase the revenue generation and planning capabilities of municipalities in Cajamarca and Junin.

Since the original start-up period for the project coincided with the transition from military to civilian rule, USAID and the outgoing Morales Bermudez administration tacitly agreed to postpone the project's commencement until after the change in government in mid-1980. By early 1981 almost no loan money had been disbursed a year and a half after the signing of the project agreement, and the mission came under intense pressure to show results or to risk cancellation of the project. In this context of external pressure, uncertainty, and institutional instability, two unfortunate policies reduced the long-term institutional impact of the project.

First, instead of waiting for the re-establishment of the constitutionally-mandated CORDES, USAID initially collaborated with weak and obsolete decentralized agencies, and then worked through parallel organizations once the CORDES were re-established. At the beginning of project implementation in 1980, new organizations called PRODERINS³ were loosely attached to Departmental Development Committees (CODES) in Cajamarca and Junin. CODES, however, were weak organizations which had been established by a discredited military regime and which under the 1979 Constitution would be replaced by CORDES (see Sections 1.3.3 and 1.4). 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.

was influenced by the work of Rondinelli and Ruddle (1978) on the role of market towns in development, although the "urban functions in rural development" (UFRD) methodology later developed by Rondinelli and others was peripheral to the project. For explication of UFRD theory and techniques, see Rondinelli (1985) or Rondinelli and Salinas (1985: 3-12).

³ "PRODERIN" is the Spanish acronym for "Project for Integrated Regional Development".

Second, although the technical assistance contract for the project was signed more than a year late, the mission insisted that the Departmental Development Plans for Cajamarca and Junin be completed by the original deadline of June, 1981. This rigid enforcement of the project timetable temporarily undercut the goals of establishing regional planning capabilities and encouraging popular participation. This decision also exacerbated already tense relations with the regional offices of the INP, complicating the long-term institutional impact of the project.

Other problems became evident during the 1980-1982 period. Technical assistance advisors soon found that central constraints severely limited the effectiveness of their efforts to improve regional planning capabilities by working solely at the periphery. The unpredictability of counterpart funds and accompanying red tape made planning efforts very tentative exercises and forced project staff to devote excessive attention to developing contingency plans, complying with ever-more onerous reporting requirements, and re-programming investments. IRD and counterpart management spent an inordinate amount of time in Lima to resolve administrative and disbursement problems. Despite these efforts, research programs, training courses, and publications were often cancelled or postponed for lack of timely funding.⁴ No urban public works projects were funded, primarily because administration of the corresponding Key Market Town Development Fund was entrusted to the Housing Bank--a rigid, lethargic agency which had little interest in the objectives of the project. Moreover, given the restrictive lending policies of the Housing Bank, one of the key assumptions in the project paper--that municipalities could borrow money for public works--turned out to be erroneous.

In addition to the problems related to central constraints, there was serious disagreement over the UFRD approach within the university technical assistance team in charge of implementing the project (see Rondinelli and Salinas 1985: 21-24).

The major problems encountered during the 1980-1982 period--rivalries between PRODERINs and CORDES, frustrating central constraints, non-implementation of urban public works, lack of consensus in the technical assistance team--prompted major modifications in the project's design and organization during 1983 when the project's mid-term evaluation was com-

⁴ See LRAP (1984: 60-74) for discussion of the problems related to central constraints. This report also discusses other serious but less fundamental difficulties in project implementation attributable to insufficient support from USAID/Peru.

pleted and USAID/Peru itself underwent major staff changes. Concern among both Peruvian and USAID officials led to inclusion of the PRODERIN's budget within those of the corporations in January, 1983 and to organizational merger in September, 1983. At the end of that year the technical assistance contract was allowed to expire and advisors on personal service contracts were hired. There was, however, some continuity in technical assistance as one of the principal advisors from the original team was retained on a personal services contract. The non-implementation of urban public works and the need for central support were addressed by Amendment VI to the project agreement, which transferred \$2.35 million of the \$8 million Key Market Town Development Fund to new technical assistance components for CORDES and municipalities throughout the country (see Section 2.3.1).

Although the difficulties mentioned above prevented testing of the urban-rural linkage approach in a comprehensive or synchronized fashion, sufficient experimentation did take place to establish it as a viable development strategy for the Peruvian sierra (Chetwynd et al. 1985: 3-4, 8, 10-11; Annex A: 23-24). Largely as results of the IRD Project, the Cajamarca and Junin corporations are in the vanguard of non-traditional CORDE activities--including investment recuperation, generation of private investment, municipal development, and microregional planning. Moreover, after the major project revisions in 1983, IRD management (1) stimulated the development, diffusion, and incipient adoption of breakthroughs in investment prioritization and regional planning methodologies; and (2) formed the cutting edge of USAID's efforts to achieve broader institutional reform.

The project's original anticipated completion date was June 30, 1984, but, upon recommendations by the mid-term and final evaluation teams, it received two extensions to December 31, 1986. At the request of the Garcia administration one component of the project which provides technical assistance to municipalities has been extended an additional two years after the project completion date.

2.2 The Disaster Relief, Rehabilitation, and Reconstruction Project

In contrast to the IRD's institution-building objectives, the purpose of the \$65 million³ DRR Project was to support

³ The \$65 million was comprised of a \$40.181 million loan and \$20.019 million grant to the Peruvian government and \$4.8 million in grants to private voluntary organizations (PVOs).

recovery from the effects of two severe natural disasters which Peru had experienced in 1983--torrential rains and flooding in the north and drought in the south.'

As a result of the prolonged presence of "El Nino," a warm current in the Pacific, during the first half of 1983 the heaviest rains in recorded history--some 160 inches--fell on the normally arid northern coast where much of the country's most productive agriculture is located. This deluge destroyed or severely damaged irrigation works, highways and streets, water and sewerage systems, and electrical transmission and distribution lines. Crops in some of Peru's most important valleys were lost, and future production was jeopardized by the destruction of irrigation systems.

During the same year the weather pattern accompanying El Nino had brought drought to the sierra, and in 1984 late but unusually heavy rains produced further damage in this region. The resulting losses of crops and livestock deprived some 150,000 subsistence farm families of their food and working capital for the future.

These dual disasters cost well over a billion dollars in lost property and production. They exacerbated an already severe economic crisis, accounting for approximately half of the 11 percent decline of Peru's GNP in 1983.

Since both disasters developed gradually, it was some time before the Peruvian government and international donors appreciated the magnitude of their cumulative impacts. During the early months of the disasters, USAID's Office of Foreign Disaster Relief (OFDA) provided approximately a million dollars of immediate relief, helped to assess the disasters' impact, and gave advice on reconstruction and rehabilitation. On July 18, 1983 USAID and the Peruvian Government signed a PL 480 Title I add-on agreement for \$10.6 million, with the local currency proceeds being earmarked for relief and reconstruction. The DRR Project Agreement was signed on July 20 for \$4 million, an amount which had been reprogrammed from mission funds. As USAID funds were deobligated from other parts of the world and then reobligated to Peru, the project took its substantive shape over the next three months through two amendments to the original agreement. Overall USAID disaster assistance to Peru eventually totaled \$180.9 million: \$6.7 million from OFDA and reprogrammed mission funds, \$65 million for the DRR Project, \$36.7 million from P.L. 480, \$12.5 million

' Description of these disasters in the following paragraphs is largely based on Checchi (1987: 5-7) and Roush et al. (1984: 54-55).

in housing loan guarantees, and a disaster assistance program loan of \$60 million (see Checchi 1987: 57).

At the onset of the DRR Project, the CORDES--despite their recent creation and shortcomings discussed above--were perceived to have comparative advantages for implementing disaster-related works. Central ministries and agencies generally had poor track records in implementing previous USAID projects (see Section 3.3.3). The corporations did not suffer from the sectoralization and centralization which characterize the ministerial hierarchies. As new and smaller organizations, they were less set in their ways and could be expected to have less bureaucratic inertia (Checchi 1987: 20). At the other end of the organizational spectrum, CORDES had greater technical capabilities than Cooperacion Popular, the community development agency prominent under the Belaunde administration. Independent project management units (PMUs) were not practical, given the sheer number of sub-projects in the DRR Project and their great geographic dispersion. While the mission believed CORDES to be the best alternative, previous experience with these organizations through the IRD Project made it sensitive to their weaknesses, which were addressed by extensive technical assistance (see Section 2.3.3).

Almost all DRR sub-projects were implemented in collaboration with CORDES,⁷ which also received the major part of two PL 480 local currency funds valued at \$18.4 million and approximately \$100 million in disaster relief funds from the Peruvian government.⁸ As initially conceived, the DRR Project was to work with six CORDES (USAID 1983b: 18); however, as the Peruvian government came under pressure to expand its disaster efforts during the latter half of 1983,

⁷ \$50.3 million of the \$65 million projects budget was spent on subprojects implemented by CORDES, while minor sub-projects implemented by other agencies accounted for \$1.5 million. The remainder of the project budget was spent on technical assistance (\$5.3 million), operational support (\$3.1 million), and grants to PVOs (\$4.8 million).

⁸ Through the obligatory purchase of reconstruction bonds by public employees, the Peruvian government raised \$139.2 million plus interest accruing on this amount for disaster relief, far exceeding the \$22 million required as counterpart funding under the DRR Project. Approximately \$100 million was assigned to the CORDES with the remainder being directed to other ministries, especially the Ministry of Transportation. Working primarily through agencies of the central government, the World Bank and Inter-American Development Bank supported reconstruction of major highways, water systems, and irrigation projects.

the scope of the project was increased to include 15 CORDES. The project supported 113 sub-projects, 572 components, and three thousand activities.' Although DRR Project management was sensitive to institutional concerns, institution-building was not one of the project's formal objectives.

Approximately 70 percent of DRR assistance was directed to the flood-ravaged departments of the north, where the project restored or replaced to its pre-disaster status damaged or destroyed infrastructure. Priority was given to infrastructure crucial to the region's economy, such as major roads, irrigation works, and power systems. Repair of water and sewerage systems critical to public health also received prompt attention. Restoration of other non-critical social infrastructure such as streets, residential electricity, and housing was addressed during the latter stages of the project.

In the drought-stricken south, immediate priority was given to employment-generating public works and replenishment of seed stocks. The project then placed emphasis on measures that would help farmers better cope with drought in the future while enhancing their productivity in the meantime: small irrigation systems, wells, and reservoirs among the public works components; as well as agricultural development and natural resource management.

Although the DRR Project agreement was signed in July, 1983, its organizational phase and the rainy season delayed major implementation progress until March, 1984. Cumulative expenditures on CORDE subprojects--a good indicator of actual implementation progress--totaled \$23.5 million at the end of 1984, \$37.6 million at the end of 1985, and \$47.3 million at the end of 1986 (Checchi 1987: 58). The project's original anticipated completion date of July 20, 1986 was extended twice to a final date of May 31, 1987. Nevertheless, most of the reconstruction and rehabilitation efforts supported by the DRR Project were completed by the end of 1985.

2.3 Common Design Features

While the IRD and DRR projects had quite different objectives, there were some important similarities in their designs: (1) support for project-related units serving CORDES, which were established within national-level agen-

' "Sub-projects" grouped all similar "components," such as roads or irrigation works in a given department. In turn, some components, especially in community development, were broken down into numerous activities.

cies; (2) central funds for sub-projects and components meeting project criteria; (3) supportive technical assistance; and (4) project management units within CORDES.

2.3.1 Support For National Agencies Serving CORDES

Both projects provided support to national-level agencies whose primary purpose is to serve CORDES. In each case, project-related units were established within national agencies--an approach designed to gain both adequate political support and managerial flexibility. In 1984 under Amendment VI to the IRD 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.¹⁰ The DRR Project provided operational support to the Rehabilitation and Reconstruction Division (GRR) and the Sierra Microregional Project (PMS) within the newly formed National Development Institute (INADE).

The supportive orientation of these organizations was a major departure from the norm in Peru, as decentralized organizations received technical assistance and political support from the center on a sustained basis for the first time since the 1960s, or indeed during their entire histories.¹¹ Exempt from the very low salary scales prevailing in the Peruvian public administration, these units attracted personnel who were usually above-average and sometimes exceptional. Each unit also received ongoing technical assistance from a USAID advisor detailed to it.

¹⁰ Also under Amendment VI the IRD Project's components for municipal planning and revenue generation in Cajamarca and Junin were supplemented by a broader program of technical assistance for municipalities throughout the country, which was channelled through the Comprehensive Technical Assistance and Training Program for Municipalities (ATI) within the National Institute for Municipal Development (INFOM).

¹¹ The FNDE had provided technical assistance in the area of engineering to the departmental public works boards before 1968 (see Bromley 1985: 14-17), while municipalities had received support from agencies affiliated with USAID-backed municipal assistance programs during the 1960s.

The Technical Assistance and Training Program for Departmental Development Corporations (PATC-CORDES).¹² This national-level agency was created in March, 1984 as a consequence of Amendment VI and became operational the following August. It undertook four major sets of activities: (1) training of CORDE personnel; (2) provision of technical assistance to CORDES; (3) development of microcomputer systems serving the needs of CORDES; and (4) basic research on CORDE organization and development strategy. The agency's internal structure paralleled this scheme of task differentiation, with Offices of Training, Technical Assistance, Computing, and Basic Analysis.

The focus, character, and time frames of these offices and their corresponding tasks were different but largely complementary, being the results of a conscious strategy of institutional change which had evolved in the mission. The Offices of Training, Technical Assistance, and Computing primarily addressed internal deficiencies of the CORDES, largely taking the current legal framework for granted and attempting to produce results in the short and medium runs. Their objective was to improve CORDE performance as much as possible within existing constraints, so as undercut pretexts for more central intervention and to strengthen the case for additional measures increasing the CORDES' autonomy and resource base.

The Office of Training organized training activities for CORDE personnel at the national, regional, and departmental levels in the fields of financial, legal, and general administration, as well as in more specialized topics in engineering and planning. During the period from August, 1984 to May, 1985, 2,425 participants received training at 61 training events, of which only 5 were held in Lima. The Office of Training emphasized practical applications and group interaction among participants from different CORDE offices and related organizations. Both permanent staff and outside specialists under contract taught courses.

The Office of Technical Assistance sent multidisciplinary travelling teams to provide assistance to CORDES in the areas of organization and methods, personnel, budgeting, payments, accounting, procurement, and project management. Drawing on this direct technical assistance and on feedback from the CORDES, this office also developed and disseminated standard operating procedures which provided CORDES with guidance in these areas. Individual experts also worked with CORDES in special problem areas on an ad hoc basis.

¹² For background on the founding, organization, and operation of PATC-CORDES see Franco (1986, especially 104-113) and Hammergren (1985, especially 10-12).

The Computing Office designed microcomputer systems and developed programs to serve the CORDES' needs in the areas of investment programming, budgeting, costs, inputs, advances, liquidation, and inventory. This office also provided general and specialized training in computing to CORDE personnel.

In contrast to the first three offices, the Office of Basic Analysis undertook more basic research on CORDE organization and development strategy which usually addressed external constraints, advocated needed legal changes, and had a longer time horizon. This office produced a number of major studies and policy proposals on diverse topics that formed a major knowledge base for the policy dialogue and future decentralization efforts (see Section 4.2). Officials from this office also had a major influence on important legal reforms enacted under the Garcia administration (see Section 4).

The Rehabilitation and Reconstruction Division (GRR). During the first half of 1983 a political realignment within the Belaunde administration and the need to address the flood and drought disasters resulted in the creation of the National Development Institute (INADE) within the Prime Minister's Office (see Garzon 1986: 234-236; INADE 1985). This new agency gained responsibility for major coastal irrigation, jungle settlement, and smaller special projects in the sierra, as well as for disaster-related rehabilitation and reconstruction.

Accounting for about half of the agency's overall program, INADE's Rehabilitation and Reconstruction Division (GRR) coordinated disaster efforts implemented through CORDES.¹³ The GRR reviewed sub-projects and components for technical viability, provided technical assistance to CORDES, contracted and supervised consulting firms, and served as the CORDES' representative vis-a-vis the ministries and other central institutions in Lima.¹⁴ It also co-

¹³ Although the law creating INADE gave it responsibility for coordinating all disaster efforts (see Decreto Legislativo 261), in practice those carried out by the ministries were largely beyond the supervision or even the knowledge of the GRR (see Hirsh 1987: 73).

¹⁴ Approximately half the CORDES also have liaison offices (oficinas de enlace) in Lima, which vary tremendously in size and capabilities. Given the overall effectiveness of the GRR in representing the CORDES in disaster-related matters, some CORDE liaison offices concentrated on other activities and had little to do with the DRR Project. Others worked closely with the GRR.

ordinated the implementation of components financed by counterpart funding and managed the monetized PL 480 Title II fund.

Given its task of coordinating highly visible reconstruction and rehabilitation efforts, the GRR enjoyed greater political support than PATC-CORDES, which addressed less salient and often arcane issues. On the other hand, there appears to have been a higher incidence of favoritism in the staffing of INADE and the GRR--wholly undertaken by Peruvians--than in the recruitment of PATC-CORDES personnel where USAID played a key role. Although clearly above-average for the public sector as a whole, GRR personnel were less experienced and perhaps not as competent as those in PATC-CORDES before January, 1986.

The Sierra Microregional Project (PMS).¹³ Also a part of INADE, the Sierra Microregional Project (PMS) ran a modest microregional program during the Belaunde administration with Peruvian government funding. In addition, the PMS provided direct consulting services to CORDES in Cajamarca, Cuzco, and Puno for disaster components funded by USAID and the Peruvian Government. For the latter task the PMS designated a resident technical assistance coordinator in each department and established a team of agricultural specialists and civil engineers based in Lima and the departmental capitals. PMS technical assistance teams were composed of dedicated public servants, all with extensive experience in the departments which they served. The PMS also contracted short-term specialized assistance, as needed.

The quality of PMS consulting was generally higher than technical assistance provided by the GRR. PMS technical assistance coordinators and team members viewed themselves as on-site technical facilitators--an orientation which had both positive and negative ramifications. On the one hand, unlike private consulting firms PMS technical assistance teams identified with their clients in the CORDES and devoted considerable time and effort to solving a broad range of implementation problems. On the other hand, for both legal and professional reasons, PMS advisors did not fulfill the most needed roles--those of actually designing and supervising works--which generally were performed better by private consulting firms.

¹³ The description and analysis under this heading draw on Hirsh (1987: 47-49), which also includes a more thorough comparison of technical assistance provided by the PMS and private consulting firms.

The PMS connection assumed new importance under the Garcia administration, which has made microregions the cutting-edge of its development efforts. Although responsibility in this area was transferred from INADE to a new agency in the INP, its top management was nevertheless drawn from the former PMS.

2.3.2 Central Funds for Sub-Projects Meeting Project Criteria

Rather than designating specific components from the beginning, both projects established central funding mechanisms to finance certain types of components that were selected later in accordance with project criteria.

Under the IRD Project sub-projects and components were financed by a \$10.5 million Rural Public Works Fund (RPWF) and Peruvian counterpart funding and by a USAID-financed Key Market Town Development Fund (KMTDF), initially capitalized at \$8 million. Administered by the Cajamarca and Junin corporations under USAID supervision, the Rural Public Works Fund was established to finance components (primarily feeder roads and small irrigation canals) identified and implemented with community participation and meeting project criteria. The purpose of the Key Market Town Development Fund, administered by the Housing Bank, was to make loans to public agencies, municipalities, and private organizations and firms for revenue-generating components in urban infrastructure (electricity, markets, slaughter houses, and facilities for the processing of agricultural production).

The DRR Project channelled grants and loans for disaster-related works directly from USAID to the CORDES, while a special unit in the Finance Ministry processed and supervised disbursements of Peruvian counterpart funds. Most rehabilitation and reconstruction components had been identified by CORDES during the aftermath of the disasters and then consolidated into a multi-departmental list prepared by the INP (see INP 1983). The GRR and the CORDES subsequently updated this list. CORDES selected components from the approved list, subject to verification by the GRR and DRR that those financed by grants or loans from USAID were indeed disaster-related, had basic technical studies, and met the project's technical specifications.

DRR Project management developed a series of brief but sufficiently detailed control cards,¹⁴ which greatly expe-

¹⁴ Annual budgets were largely based on Forms "A" and "B," which the CORDES used to request approval of sub-projects

dited the approval and monitoring processes, contributed to stable expectations among CORDES, and allowed technical studies to be undertaken on a rolling basis.¹⁷ The project also devised a practical system of financial liquidation whereby summary data were submitted on a monthly basis to Lima, but extensive supporting documentation was reviewed periodically by a travelling team of financial analysts. From the very beginning of the DRR Project, USAID conducted extensive training programs on its requirements and procedures for INADE and CORDE personnel. These were reinforced throughout the life of the project by the technical assistance efforts discussed in the next sub-section.

2.3.3 Supportive Technical Assistance

Both projects provided CORDES and supporting national agencies with general and specialized technical assistance.

Under the IRD Project there were two stages of technical assistance. From 1981 to 1983, a U.S. 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 public works. Advisors trained CORDE personnel, diffused planning concepts and methodologies, and became involved in sub-project implementation. From January, 1984 until the end of the project, technical assistance was provided through direct hires under personnel service contracts--with advisors being assigned to PATC-CORDES, INFOM, CORDE-Cajamarca, and CORDE-Junin.

The DRR Project primarily provided technical assistance to the CORDES through nine departmental advisors, who were development generalists residing in or frequently visiting all departments receiving project assistance. The project also provided strategically directed technical assistance in the areas of engineering, finance, agriculture, environmental impact, irrigation, and housing through eleven specialists who visited CORDES more intermittently. These special-

and components in principle. Disbursements were contingent upon approval of Form "C," which included certification of technical studies and detailed implementation plans. Any substantial changes were submitted for approval on form "D."

¹⁷ In contrast, CORDES had to complete technical studies for components financed by the IRD Project's Rural Public Works Fund before the beginning of the fiscal year during which they were programmed.

ists reinforced the DRR departmental advisors, helped to remove bottlenecks, diffused specialized knowledge, and sometimes took on basic training activities related to project goals. The technical assistance team's chief of party served as advisor to the GRR in INADE. The contracting of consulting services from private firms and the PMS under the DRR Project further bolstered the technical capabilities of the CORDES.

2.3.4 Project Management Units

The IRD and DRR Projects both employed project management units (PMUs) within the CORDES.

In the case of the IRD Project use of autonomous and semi-autonomous units was less a strategic choice than a result of institutional instability and inadequate institutional analysis (see Section 2.1).

In most CORDES receiving DRR funds, project management units (generically called PIRR units)¹⁸ were established to administer and implement disaster programs. In some departments, such as Piura and Puno, CORDES took the initiative in creating their own PIRRs, while in others slow progress in implementation prompted internal and external pressures for the establishment of a special unit. Most PIRR units eventually became semi-autonomous, taking on administrative responsibilities related to emergency work in areas such as supply, personnel selection, budgeting and programming, accounting, and financial management.¹⁹

PIRR units varied greatly in absolute size and their relative importance to other units in the CORDES. At the peak of the DRR Project in 1984, investment by PIRR units in the six CORDES visited by the author ranged from approximately US \$1 million to \$37 million, and the PIRR share of total CORDE investment in these departments varied from 22 to 70 percent. In the same year these PIRR units employed 25 to 215 persons, accounting for one twentieth to one third of

¹⁸ "PIRR" is the Spanish acronym for "Comprehensive Rehabilitation and Reconstruction Program."

¹⁹ Of the six CORDES visited by the author, only the PIRR unit in Piura remained a line agency whose administrative needs were serviced by the corporation. This was possible given the Piura corporation's greater administrative capacity and the fact that most of its work was implemented via contracting, which is less administratively intensive than forced-account.

personnel in their respective CORDES. Approximately half of PIRR unit personnel were professionals, with the other half being composed of secretaries, clerks, and blue collar workers.

A handful of top level PIRR personnel, generally engineers and accountants and never more than 10 percent of the total, were hired through the GRR at salaries well above those prevailing in the CORDES, although modest in comparison to the private sector. Other PIRR unit employees generally were paid the same as their counterparts elsewhere in the CORDE for similar work, but since most were contracted they did not have the job security of tenured personnel (nombrados).²⁰ Junior-level engineers and accountants were typically hired at the top of CORDE salary ceilings on renewable one year contracts for the duration of the project, as were most medium-level employees such as draftsmen, secretaries, and clerks. Other employees, such as resident engineers, foremen, and construction workers, usually were contracted for shorter periods to perform tasks linked to specific components. There was, however, considerable continuity in this last category, as the PIRR units often were able to sign personnel that performed well to new contracts.

Junior-level professionals and other employees working in PIRR units were on the average younger and initially less experienced than their counterparts holding similar positions in other line units. Many junior professionals were recent university graduates or even university students willing to put in long hours for low pay in remote area of the country. Even the much better compensated top-level management of PIRR units was on the average younger than their counterparts elsewhere in the CORDES--a pattern stemming from the GRR's hiring strategy at the beginning of the project.²¹ In contrast, PRODERINS tended to attract professionals with proven track records in their respective departments by paying salaries which were considerably higher than those in other departmental agencies.

²⁰ In some cases tenured personnel were detailed to the PIRR unit from other units of the CORDE, usually with formal or informal guarantees of job security.

²¹ Even the higher salaries paid through the GRR were insufficient to attract top-notch persons from the private sector, while senior professionals in the CORDE often lacked management skills and initiative. In consultation with CORDE presidents, the head of the GRR, himself young, tried to identify and hire up and coming young men and women from the public sector who were competent, dynamic, and enthusiastic.

3.0 DIRECT PROJECT IMPACTS ON CORDES

Through disbursements and technical assistance, the IRD and DRR projects increased the CORDES' access to resources and technical skills, while introducing them to new concepts and styles of management. Both projects improved the performance of CORDES in two mutually-reinforcing ways. First, they intentionally or inadvertently worked to circumvent or ameliorate external constraints hindering CORDE development since these constraints also inhibited efficient implementation. Thus, apart from the explicit institution-building goals of the IRD Project, USAID's concern for efficient implementation had the effect of at least temporarily clearing "institutional space" for CORDE development. Second, within this expanded "institutional space," both projects increased CORDE capabilities and influenced their orientations.

This section presents an overview of direct project impacts on CORDES to the extent that project documentation, independent evaluations, and multiple informants permit useful treatment.¹ The first sub-section examines the projects' roles in insulating CORDES and supportive national agencies from administrative and political pressures. Subsequent sub-sections then review project impacts on administrative and technical capabilities, governmental responsiveness, mobilization and management of resources, local organizations and the private sector, and economic development. It is not possible to provide comparable analyses of both projects on all topics, since there are major gaps in available data and independent evaluations.

3.1 Implementation, Insulation, and Institutional Space

Analysis of DRR and IRD Project experiences suggests that the donor's traditional tendency to "insulate" its projects from uncertainty and to support efficient implementation may also serve the end of at least temporarily clearing "institutional space" for decentralized organizations facing national-level constraints. As discussed in Section 1.4.1,

¹ The IRD Project also strengthened municipalities, focusing first on selected provincial councils in the initial target departments of Cajamarca and Junin, and later on local governments throughout the country via the Comprehensive Technical Assistance and Training Program for Municipalities (ATI) within the National Institute for Municipal Development (INFOM). This effort is largely beyond the scope of the present analysis, although its impact on municipal finance is noted in Section 3.4.6.

the complexity, arbitrariness, and unpredictability of national legal, budgetary, and administrative norms severely limit the "institutional space" available for CORDE development. After USAID decided to work in collaboration with CORDES, these same constraints also posed obstacles to efficient project implementation, quite apart from the institution-building goals of the IRD Project. In accordance with the traditional concerns of donor agencies, the two USAID Projects intentionally or inadvertently worked to circumvent or eliminate external constraints threatening efficient implementation by insuring a more regular flow of resources, providing a more supportive and predictable program context, and increasing the political power of CORDES.

3.1.1 Predictable Resource Flows

The DRR Project and the IRD Project's Rural Public Works Fund dramatically increased the predictability of CORDE funding by (1) channeling grant and loan money from USAID directly to the CORDES, instead of through the Finance Ministry (MEF); and (2) speeding disbursements of counterpart funding. Although loan funds remained subject to low MEF budget ceilings which did not anticipate accelerated devaluation and to restrictive MEF regulations governing transfers among sub-projects, USAID project managers learned how to work around most centrally-imposed restrictions in the short run and to eventually achieve some changes in the system (see Section 4.3). Moreover, the DRR Project had some additional short-term flexibility, since grants constituted approximately one-third of its funding.

Disbursements of Peruvian counterpart funding to IRD and DRR sub-projects and components were much more timely and predictable than disbursements received by CORDES through the regular transfer process. Three major factors account for this difference. First, at the most general level, USAID has considerable influence over Peruvian counterpart funding, much of which is raised through the sale of U.S. agricultural commodities on concessional terms under Title I of U.S. Public Law 480.² The IRD and DRR Projects both received counterpart funding financed by Title I, while the DRR Project benefited from additional monetized Title II funding managed by the GRR. Second, during the 1983-1986

² USAID/Peru has been among the leaders in integrating PL 480 Title I funds into country programs. For example, in 1982 Title I funds accounted for an average 53 percent of counterpart funding for 21 USAID-supported projects in Peru. See Johnson et al. (1983: especially, pp. 33-35 and Appendix H.).

period prompt disbursement of counterpart funding was a special priority of the mission director, who repeatedly exhorted project managers to "stay on top of your counterpart." Third, the DRR Project also successfully promoted the establishment of a special unit in the MEF to process and supervise disbursement of counterpart funding from the Peruvian government. This unit, the Disaster Relief and Rehabilitation Project Office, was staffed by several of the most competent professionals in the ministry and enjoyed high status, reporting directly to a vice-minister.

3.1.2 Predictable Program Context

USAID project experiences suggest that a key issue in the design of strategies to support decentralization is likely to be the character and predictability of any central controls, rather than the existence of such controls per se. Officials from a variety of central government agencies in Peru seek to enforce regulations which are complex, changing, and sometimes contradictory without providing support to help CORDES comply. Like national-level agencies of the Peruvian government, the DRR and IRD Projects have subjected CORDES to controls, but departmental advisors also promoted a predictable program context by helping corporations to understand and comply with project regulations. Although some advisors made unpopular decisions, all high CORDE officials interviewed spoke very favorably of the advisor in their department and expressed a desire to have a departmental advisor in the future. They were particularly appreciative of the advisors' problem-solving attitude, which was contrasted with the excessively "inspectionist" attitude of officials from central government agencies.

While changing CORDE attitudes and orientations was not a formal objective of the DRR project, it indirectly contributed to attitudinal change by insulating CORDES from outside pressures and providing a predictable and supportive program context. Whereas the excessive controls and petty regulations prevailing in Peruvian public administration contribute to an emphasis on not making administrative errors, characteristics of the DRR Project--predictable financial support, high technical standards, and supportive technical assistance--have created a context which rewards self-starting and problem-solving. CORDE officials have known what to expect as the DRR and IRD approved and processed successive implementation documents in accordance with consistent criteria. Challenged by higher technical standards, the generally younger and less experienced engineers working in disaster units have consistently outperformed more experienced staff in other units. "Under this program, we've done things that we didn't know we could do," commented one engi-

neer 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 IRD Project adopted a more didactic style of technical assistance in regional planning, but a predictable program context and insulation from outside pressures were prerequisites for the upgrading of capabilities in this area. Moreover, in the line units a more predictable program context, supplemented by some supportive technical assistance, stimulated attitudinal change in a manner similar to the DRR Project. Some engineers in Cajamarca and Junin nostalgically recall the esprit de corps and "mystique" present during their days with the PRODERIN.

Analysis of DRR Project experience, however, also suggests that donor agencies are more likely to have success in insulating decentralized organizations from counterproductive administrative and budgetary regulations directly affecting them than from national policies or political controls. Although their project objective is reconstruction and rehabilitation from natural disasters, DRR management and advisors have encouraged CORDES to think how future disasters might be ameliorated or even avoided through better management of natural resources, particularly in the areas of watershed management and irrigation use. CORDES, however, are discouraged from taking new initiatives in these areas by national policies.³

3.1.3 Linkages and Empowerment

Linkages to national-level agencies and USAID increased the political power of CORDES and served as catalysts for the emergence of a "decentralist lobby."

³ For example, 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. Users in the upper reaches of some coastal valleys grow water-intensive crops, leaving little water for farmers downstream. Although officials of some CORDES 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 policies.

The GRR became an effective lobby for CORDES vis-a-vis central institutions and agencies. It was particularly effective in securing MEF approval for budget transfers among sub-projects. CORDE officials valued their linkage to the GRR, considering it to be their "consul" in Lima.

Courses sponsored by PATC-CORDES' Office of Training not only diffused knowledge, but often served as consciousness raising experiences, as managers and staff from different CORDES found that they shared similar problems. As discussed in detail in Section 4 below, PATC-CORDES' Office of Basic Analysis has been at the center of efforts to address external constraints through institutional reform. The formation of an outstanding cadre of talented young "decentralists" might prove to be the most important legacy of the IRD Project.

USAID itself enhanced the political power of CORDES in three basic ways. First, the mission provided some insulation from short-term political pressures to the national-level agencies serving CORDES. This protection was especially important during the waning days of the Belaunde administration when officials in the Prime Minister's Office wanted to use PATC-CORDES exclusively for short-term political objectives. Second, USAID brought project clout to bear on lethargic central agencies that blocked implementation progress. Such pressure was most important in prodding the Housing Bank and Electro-Peru to initiate and implement components financed by the IRD Project's Key Market Town Development Fund. IRD project management held monthly meetings with representatives of these agencies and CORDES, typed up and distributed the agreements reached at these meetings, and monitored their implementation. Third, in addition to their technical assistance and quality control functions, under both projects departmental advisors often represented their corporation vis-a-vis USAID, the GRR, PATC-CORDES and other organizations in Lima.

3.2 Administrative and Technical Capabilities

The IRD and DRR Projects both increased the general administrative capabilities of CORDES and supportive national-level agencies. In addition, the IRD Project had some lasting impacts on the regional planning capabilities and orientations of CORDES in Junin and Cajamarca, while the DRR Project increased the technical and process capabilities of the corporations that implemented its disaster-related components.

3.2.1 Supportive Orientation at the National Level

As noted in Sections 2.3 and 3.1.1 above, the technical assistance and political support provided to CORDES by USAID and collaborating national-level agencies under the IRD and DRR Projects were major departures from the norm in Peru. Moreover, in sharp contrast to the "inspectionist" attitude of most Peruvian agencies, the supportive orientation of technical assistance under both projects contributed to more effective management at the CORDE level.

This more supportive orientation has been consciously emulated by the INP's Special Project for the Development of Microregions in Economic and Social Emergency (PEDMEES), whose top management was drawn from the DRR-supported PMS program. Since this is a high priority program under the Garcia administration, the institutional impact of more supportive technical assistance is likely to be considerable. A more supportive orientation is also likely to be diffused by the new Public Management Project in the INP, whose leaders are former officials of PATC-CORDES.

Paradoxically, PATC-CORDES, which until January, 1986 had been a paradigm of a supportive agency, lost much of this capability as the result of the institutional realignment that accompanied the change in government. USAID's ability to insulate PATC-CORDES from short-run political pressures (see Section 3.1.3) declined as the IRD Project wound down and the agency was subsumed with reduced organizational status in the new Ministry of the Presidency (MIPRE). In the jockeying for position that is a part of every presidential transition in Peru and elsewhere, the top posts in the MIPRE and PATC-CORDES happened to be awarded to old-line APRA loyalists, who have emphasized control over supportive technical assistance in their dealings with the CORDES. Whereas CORDES previously could accept or reject advice from the agency's technical assistance teams (see Hammergren 1985: 16), PATC-CORDES now sends its reports to the Minister of the Presidency, who sometimes has ordered CORDES to make changes. Although some top-notch professionals remain, the quality of technical assistance also has declined as many staffers were replaced with aprista partisans, while others resigned to take positions with agencies working on the cutting-edge of the new government's program.

Ironically, much of the former PATC-CORDES leadership was sympathetic to the policy objectives of the incoming Garcia government. As noted above, some former PATC-CORDES officials assumed top positions in other agencies under the Garcia administration. Moreover, acting in individual capacities, some former PATC-CORDES officials played major roles in shaping the new government's legislation on decentraliza-

tion (see Section 4 below). Thus, PATC-CORDES has had a much greater impact than the rather debilitated organization which now bears this name.

At this writing, it is difficult to assess the extent to which other central agencies will continue to follow or adopt supportive technical assistance orientations in their dealings with decentralized organizations. The USAID model appears to have been internalized in the GRR, but the future of this agency after the completion of the DRR Project is uncertain. While an independent evaluation of ATI's technical assistance to municipalities is not available, extension of the IRD Project's municipal component for another two years obviously affords an additional opportunity to encourage a supportive orientation.

3.2.2 General Administrative Capacity in CORDES

Neither the IRD or DRR Projects had a follow-up methodology to assess impacts on general administrative capacity.⁴ It is nevertheless possible to discern some positive effects in the areas of basic organization, cost-indexing and contracting, technical studies, and computerized information systems and programming.

Basic Administration. PATC-CORDES' Office of Technical Assistance had significant success in helping CORDES to achieve basic organizational coherence. The office (1) systematized complex legal norms to facilitate understanding and compliance; and (2) assisted CORDES in elaborating and integrating internal regulations and processes. Emphasizing these very basic concerns, the office predictably had most impact on the weakest CORDES. Given data limitations, it is not possible to objectively assess the impacts of PATC-CORDES' training activities in the area of basic administration, although several informants stated that there were significant improvements in accounting and financial management.

⁴ Hammergren (1985) and Schmidt (1985) offer analyses of project impacts in this area based on field visits to CORDES, but these studies were undertaken when PATC-CORDES had been in operation for less than a year and DRR impacts were still hard to assess. The analysis under this heading is based on these studies and follow-up questions to USAID, PATC-CORDES, and former PATC-CORDES personnel in early 1987.

Cost-Indexing and Contracting. The impact of PATC-CORDES' training efforts is most apparent in the area of cost indexation (formulas polinomicas). Before PATC-CORDES training, many CORDES could not accurately project future costs for labor and materials in the prevailing context of high inflation. Some left the calculations to contractors, who often charged materials and labor used during the initial stages of implementation to the end of the contract at a much higher price. After receiving training from PATC-CORDES, most corporations gained the capacity to satisfactorily perform the calculations.

Available evidence also indicates that PATC-CORDES training significantly enhanced the ability of CORDES to follow the Peruvian government's complex regulations for contracting.

Technical Studies. CORDES and other Peruvian agencies often initiate components without completing basic technical studies, which were a pre-requisite for disbursements under both the IRD and DRR Projects (see Section 3.1.1). Satisfaction of this requirement generally was within the capabilities of the CORDES, which received needed help from IRD, DRR, or GRR advisors, as well as from consulting firms contracted under the DRR Project. While USAID technical requirements appear to have been high in some cases, they did not contribute to flagrant overdesign. With very few exceptions, components constructed under the IRD and DRR projects were at least of satisfactory quality (Checchi 1987: 11; French et al. 1983: 98-99).

The requirement of technical studies applied only to components funded by USAID loan or grant money,⁵ and usually was carried out by the respective project management unit--the PRODERINS or PIRRs. Nevertheless, the requirement served as a positive example for each CORDE as a whole. Moreover, the project requirements were complemented by PATC-CORDES' Office of Training, which gave courses on the subject to relevant personnel from other line units of the CORDE and ministerial field offices.

A number of CORDES--including Junin and La Libertad--now routinely require basic technical studies for all components before the opening of the new budget year. In addition to their contribution to technical soundness, these studies provide a foundation for more accurate programming since better estimates of physical and financial progress can lead to more accurate projections of procurement needs, disbursement requests, and payments to contractors. In addition the

⁵ Disaster components solely financed with Peruvian funds were subject only to GRR approval.

DRR Project was one of only a handful of donor-assisted projects--and the first involving CORDES--to require compliance with existing Peruvian government norms for technical-financial liquidation, in which all modifications to original technical designs and expenditures are justified, documented, and archived. Such a system is a pre-requisite for effective maintenance. USAID not only insisted on compliance, but also provided supportive technical assistance to help CORDES meet the legally mandated but hitherto unenforced regulations.

Information Systems and Programming. The IRD Project provided microcomputers to CORDES in Cajamarca and Junin, while 15 CORDES participating in the DRR program obtained identical systems with funds from PL 480 Title I or the DRR Project itself. Provision of hardware was accompanied by the software development and training activities of PATC-CORDES' Computing Office (see Section 2.3). Under the IRD Project CORDE-Junin also developed its own computer programs for financial management, personnel, and budgeting.

It is difficult to assess the ultimate impact of this assistance, which has only recently been provided to CORDES with varying results over time and space. As of March, 1987, most CORDES had had their computers for little over a year, and there is considerable variation in CORDE performances to date. At one extreme is CORDE-Piura, which with the help of the DRR departmental advisor had achieved a number of corporation-wide applications by May, 1985. At the other extreme is the corporations in Cuzco which did not have a operational system in March, 1987. Moreover, as is the case in other countries, CORDES have had difficulty in retaining computer programmers and operators, who frequently leave for more lucrative jobs in the private sector.

Several tentative conclusions can nevertheless be offered. First, in almost all cases where operational systems have been established, they have eventually performed tasks for the CORDE as a whole, instead of only for the management units linked to the IRD and DRR Projects. Second, computer systems and accompanying software have allowed most CORDES to more efficiently perform myriad reporting and data collection tasks. Such a basic application is by no means trivial, given the number of central agencies to which CORDES must supply information (see Section 1.4.1). Third, many CORDES have been able to use the systems for actual programming in such areas as personnel budgeting, investment programming, and cost indexation. In March, 1987 the DRR Chief-of-Party estimated that about half of the CORDES receiving assistance from this project had moved beyond mere data collection to programming applications. Fourth, if effective technical assistance from PATC-CORDES continues, programming applications are likely to increase in the fu-

ture. The more advanced CORDES working with the DRR Project are now beginning to undertake benefit/cost analysis.

3.2.3 Regional Planning Capacity and Orientation Under the IRD Project

During the early stages of the project, PRODERINS in Cajamarca and Junin developed capacities to plan and implement priority investments in rural public works.⁶ In Cajamarca, an urban-rural linkage approach guided planning, while a microregional approach oriented planning in Junin. In both departments, however, the PRODERINS were able to use departmental plans as a basis for selecting rural works projects. In Cajamarca all ten rural road projects in 1982 followed the plan's logic of linking rural hinterlands to key market towns. In Junin the 35 rural works components completed or underway during 1981 and 1982 were located in priority micro-regions. Neither PRODERIN developed significant capacities to select, design, implement, or evaluate urban infrastructure.

In the process of merging the PRODERINS and CORDES during 1983, efforts to retain these planning capabilities were on balance unsuccessful, at least in the short run. Although some staff trained in regional planning during the PRODERIN stage eventually received tenured positions in the Cajamarca and Junin corporations, they were mostly placed in offices which are peripheral to planning. The planning offices are dominated by ex-personnel of the INP, who had developed antagonistic relations with the PRODERIN, exacerbated by the way in which the first plans were produced on a crash basis (see Section 2.1). Since most rural works components had been selected or implemented before PRODERIN-CORDE integration, USAID had very little leverage with the corporations with respect to regional planning. These two CORDES generally continued to program their investments using the traditional "laundry list" and "pork barrel" approaches (see Section 1.4.1). Some of the data base generated by the PRODERINS was lost during the transition.

Nevertheless, the IRD Project had an impact on investment orientations in both departments. Prior to the project in Cajamarca, regional plans had revolved around the initiation of a large mining venture which never has been begun. The IRD Project shifted the terms of reference to small-scale public works in agriculture and transport. In Junin a comparison of recent CORDE investments not funded by the IRD Project reveals a 20 percent increase in the percentage des-

⁶ This paragraph draws on French et al. (1983: 31-42).

trained for agriculture. The percentage devoted to urban infrastructure and school buildings dropped accordingly. It also should be noted that the late-starting electricity projects financed by the Key Market Town Development Fund were generally selected in accordance with the urban-rural linkage approach, especially in Cajamarca.

Moreover, after 1983 the project achieved a methodological breakthrough, which can help decentralized organizations to transcend the artificial dichotomy between "technical" and "political" decision-making. The decision-tree methodology developed by the new departmental advisor to Junin and PATC-CORDES allows decision-makers to (1) disaggregate and prioritize their objectives; (2) graphically and numerically rank the relative payoffs of various investments in accordance with these objectives; and (3) select the most appropriate investments in a process that is open to public scrutiny (see Dillon 1986; Hess 1986: 20-21). Thus, the methodology provides a mechanism for linking popular participation through elected assemblies to regional planning. Along the same lines, a reprogramming methodology was developed to help CORDES prioritize their investments when faced with budget cuts.

PATC-CORDES facilitated the diffusion and encouraged the adoption of the prioritization methodologies. In 1985, 12 CORDES participated in introductory seminars on public investment prioritization sponsored by this agency. In August, 1986 the Ministry of the Presidency officially approved the methodology for use and all CORDES attended more intensive workshops on the subject the following September and October. As of this writing, the prioritization methodology has been adopted by CORDE-Junin and CORDE-Huancavelica respectively for the 1986 and 1987 budget years.

The IRD advisor in Junin also made state-of-the art contributions in UFRD applications, which were considered to be the best field use of this methodology in the world by the leading international expert on the subject (see Hess 1986: 19-20; Rondinelli and Salinas 1985: 14-15).

3.2.4 Increased Technical and Process Capacities Under the DRR Project

Under the DRR Project CORDES developed expanded or new capabilities in public works, their traditional focus, and gained process capacities' through their dealings with con-

' Process capacity is the ability to obtain critical services from other institutions instead of developing an in-

struction contractors and consulting firms.

During the emergencies some CORDES, most notably the corporation in Piura, took on temporary functions in the areas of health, insect control, agricultural extension, and the distribution of emergency food and supplies. Most CORDES in flood areas gained experience in emergency maintenance, which should be useful in the future, given frequent damage to infrastructure during the rainy season.

In the course of reconstruction and rehabilitation, CORDES developed new or improved capabilities in public works. For example, in the flood-ravaged Department of Piura, the corporation for the first time contracted out major bridges; made major investments in irrigation works; and completed first-order paving components, river defenses, aqueducts, deep wells, housing for flood victims, and major school complexes. In the drought-stricken Department of Puno, the CORDE greatly expanded its role in irrigation works and for the first time made investments in deep wells, terraces, mini-reservoirs, and multi-community facilities.

Prior to the DRR Project, many CORDES had little or no experience in contracting out works to private construction contractors. During the course of the DRR Project, CORDES gained invaluable experience in negotiating with contractors and supervising the contracts. Many CORDES can now effectively manage this input.

The DRR Project also contracted consulting firms to provide assistance to CORDES in the design and supervision of project components. While there was significant variation in experiences with various consultants, their contributions were generally useful and often essential in areas where CORDES have limited experience, as in the design of irrigation canals and bridges. Unfortunately, some CORDES were captive consumers of ineffective consulting firms, having had little voice in their initial selection and little legal recourse when their performance was unsatisfactory. CORDES and other implementing agencies would have been better served if they had had greater influence in the drawing up of the scopes of work, the selection of the firms, and the management of the contracts (see Hirsh 1987: 48-49).

Nevertheless, since only a few CORDES had previously worked with consultants, the DRR Project contributed to the development of important process capacities in these technical areas. CORDES now have a much better understanding of the potential contributions of consulting firms, as well as the potential problems with this input. Many CORDES can now

ternal capability for providing them (see Bremer 1984).

take the initiative in defining their consulting needs. Several may even be capable of effectively negotiating with and supervising consulting firms.

In sum, the development of process capacities through the contracting of construction and consulting firms provides a potential solution to one of the major obstacles to decentralization in Peru and elsewhere--the existence of critical gaps in technical capacity at sub-national levels.

3.3 Impacts on Governmental Responsiveness

Evaluation of enduring IRD and DRR Project impacts on governmental responsiveness is not possible in the strictest sense, because adequate time has not evolved since the completion of these projects. But it is possible to make some inferences about these impacts on the basis of CORDE performance under the two projects, and by comparing these performances with those of central government agencies that have collaborated on similar projects supported by USAID and other donors.

3.3.1 The Rural Public Works Fund Under the IRD Project

In implementing components financed by the IRD Project's Rural Public Works Fund (RPWF), PRODERINs and CORDES were generally responsive to community needs. At times, however, there were trade-offs among the different values and objectives of the project--responding to community initiatives, following the urban-rural linkage strategy, and pursuing broader institutional reform.⁴

Most irrigation components began as community initiatives, rather than as initiatives from above (French et al. 1983: 104, 117; Hatch et al. 1985: 48). Moreover, there appears to have been an increase in community initiative over time, since a higher rate of community initiative is evident in the 1985 than in the 1983 survey. Of the 12 components in the 1985 sample, 10 began as community initiatives, 11 were approved by a general assembly of local residents, and all had an elected community-level committee to help manage them.

⁴ As noted above in Section 3.2.3, the investment prioritization methodology developed under the IRD Project provides a way to transcend the apparent trade-off between popular participation and regional planning.

Most roads completed in time for the 1983 sample also were initiated by communities in both departments, although location and routing were largely determined by the PRODERINS (French et al. 1983: 107, 115-116). Beginning in 1983, however, community initiative fell in Cajamarca as linkage criteria displaced petitioning and proximity to the departmental capital as the primary basis for component selection (see LRAP 1984: 108). In the 1985 survey 64 percent of all respondents in Cajamarca attributed initiative to outsiders. In Junin, where linkage criteria were not emphasized before most road components had been selected, only 16 percent credited outsiders with the initiative (Hatch et al. 1985: 51).

The implementing agencies under the IRD Project received high evaluations from beneficiaries in both the 1983 and 1985 surveys (see Hatch et al. 1985: 32, 50, 53). There was, however, some decline in the ratings between the two years, which may be related to the 1983 merger of the PRODERINS and CORDES. In the 1983 survey 86 percent of irrigation and road beneficiaries in Cajamarca rated the performance of the implementing agency as good, while in 1985 this evaluation was given by 75 percent of irrigation and 78 percent of road beneficiaries. In Junin 54 percent of all road and 80 percent of all irrigation beneficiaries in the 1983 survey gave a good ranking to the implementing agency. In 1985 the rating for road components improved to 71 percent, but the ranking for irrigation components declined to 70 percent.

The chief rationale for a good rating was completion of the component and fulfillment of promises made during implementation. Cumplimiento, meeting one's promise, is the main thing that counts with rural folks, who neither demand nor expect a lot (Hatch et al. 1985: 50). Under the IRD Project implementing agencies demonstrated an ability to complete many components begun and abandoned by other agencies (French et al. 1983: 120), and generally kept their promises. In those cases in which beneficiaries said that commitments were not met, the implementing agency received low ratings (see especially French et al. 1983: 121). Moreover, serious implementation problems tended to occur in the exceptional cases where the community did not participate in component identification or formally request a component identified on the basis of planning priorities (see French et al. 1983: 33).

Given the importance of timely completion, it should be noted that after 1984 IRD project management faced a trade-off between pushing implementation of components and addressing broader issues of institutional reform (see Section 4). Not all rural public works components were completed by

the formal end of the IRD Project in December, 1986,' although the mission has taken steps to finish them after this date.

Finally, the two evaluation surveys carried out by Rural Development Services were themselves highly significant. Not only were beneficiaries asked to evaluate components and implementing agencies, an unusual occurrence in Peru, but some beneficiaries participated in the design and administration of the instrument along with PRODERIN and CORDE personnel. At the very least, this experience had the effect of increasing the status of beneficiaries. It also may have contributed to a more responsive attitude on the part of officials from the implementing agencies.

3.3.2 The DRR Project

CORDES on the north coast performed heroically during and immediately after the flood disaster, rapidly restoring crucial economic infrastructure on a provisional basis (see Checchi 1987: 10). During the phase of reconstruction, the corporations were generally responsive to the needs of their respective departments, although their emphasis of productive rural infrastructure over urban social works prompted some criticism in the national press. Direct community collaboration during reconstruction was limited by the large-scale and technical sophistication of many components, and by the fact that beneficiaries felt less of an obligation to contribute to restoration efforts. The chief exception to this generalization was in the area of housing where approximately 70 percent of the beneficiaries participated in implementation (Ibid: 13).

During the early phase of the emergency in the south, DRR-sponsored public works components provided jobs and food on a timely basis. The smaller scale and different character of rehabilitation components in the south generally afforded greater opportunities for collaboration with communities during the design and construction phases. While community-level collaboration was greater in the south than in the north, it was constrained by the short time frame of the project and by an emphasis on the construction of primary canals over components which were more conducive to popular participation.

' 68 of 81 had been completed by September 20, the date of the last semi-annual reporting period.

Given the importance attached to cumplimiento, it is important to note that most DRR-financed sub-projects and components were completed within three years of the signing of the project agreement. This record is extraordinary, given the scale of the project--the largest ever undertaken in Peru by USAID, the number of components and activities, and the relative inexperience of PIRR unit personnel (see Sections 2.2 and 2.3.4).

3.3.3 Comparisons with Central Government Agencies

Some additional light can be shed on the responsiveness of CORDES by comparing their records of implementing USAID-supported components and projects with those of central government agencies.

Due to the very rigid lending policies of the Housing Bank, with a single exception loans from the IRD Project's Key Market Town Development Fund (KMTDF) were only made to beneficiaries of electrification components. Whatever the merits of this policy, the Bank's glacial processing of loan applications delayed major implementation progress until 1984, undercutting the very rationale of the urban-rural linkage strategy. Only after USAID reallocated \$2.35 million to other components did the Bank's performance improve. Largely as a result of these centrally-determined delays, beneficiaries of KMTDF components--who took the initiative in organizing themselves for loans--gave evaluations of implementing agencies that were considerably lower than those given for RPWF components (see Hatch et al. 1985: 34, 45-46).

Similarly under the DRR Project, implementation of a minor sub-project through the Health Ministry floundered, primarily due to shortcomings in that central organization. There was also a delay in replenishing seed stocks, although this problem appears to be more attributable to poor performance by a contractor than to deficiencies within the responsible agency in the Ministry of Agriculture.

Collaborating with agencies of the central government, USAID has supported other projects in Peru that have primarily built infrastructure similar to that constructed by CORDES under the IRD and DRR Projects. These projects include: Improved Water and Land Use in the Sierra (PLAN MERIS) initiated in September, 1976 and completed at the end of 1985; the Rural Water Systems and Environmental Sanitation Project (RWSES), initiated in September, 1980 and to be completed in September, 1987; and Small Hydroelectric Plants, also started in 1980 with a PACD in May, 1987.

Although each of the projects has considerable merits, all have suffered significant, if not severe, implementation delays.¹⁰ As initially conceived, PLAN MERIS was to have constructed 27 components over a five year period; it was scaled back to 17 components and took over nine years to complete. These changes took place despite the fact that a project management unit (PMU) within a national ministry was in charge of implementation. USAID support for the RWSES Project was almost cut in half after a scathing GAO report highlighted lack of implementation progress in February, 1983. Since that time, however, deconcentration within the Ministry of Health has contributed to remarkable improvement and the project is expected to meet its initial construction objectives by the original PACD. Similarly, significant implementation progress on the small hydro project did not occur until management responsibility was shifted from a line unit of Electro-Peru to a PMU. Indeed, during the late 1970s and early 1980s, the pattern of slow implementation in these and other projects gave USAID/Peru a reputation in Washington as having one of the slowest "pipelines" of any mission.

At the broadest level of analysis, these delays are largely consequences of Peru's decade-long fiscal crisis and the Finance Ministry's policy of reducing or delaying disbursements. In each case, however, subordination to highly bureaucratic and centralized agencies has created or exacerbated implementation obstacles. The most common problem is that project monies are held by central government agencies to meet other obligations. Disbursements must trickle through several levels of a byzantine bureaucracy before reaching the field; once there, payment of personnel usually takes priority over implementation. Although some CORDES also tried to hold or divert project funds for other purposes, they were largely deterred by the clearer lines of accountability to USAID. Moreover, whereas implementation delays in the field are not readily apparent or even important to bureaucrats in Lima, CORDES are closer to the beneficiaries and more responsive to local needs and priorities.

In addition to problems related to disbursement, implementation of USAID projects through central ministries is generally slowed by red tape and the over-centralization of authority. These factors were a significant cause of implementation delays in the RWSES and the mini-hydro projects, as well as in the Soil Conservation Project, which involved less construction.

¹⁰ The remainder of this sub-section draws on GAO (1983), Moncada et al. (1985), Painter et al. (1985), Wilkinson et al. (1984), and other project documentation supplied by USAID.

Similar shortcomings are also evident in the dealings of central agencies with other donors. During the disaster recovery experience, central ministries were in charge of reconstruction efforts financed by the Inter-American Development Bank and the World Bank. Peru lost some \$30 million dollars in funding from these agencies as the result of inadequate coordination among central agencies in the allocation of counterpart funds and the failures of some central ministries to satisfy conditions precedents (see Checchi 1987: 23-24, 47). The DRR final evaluation team concluded that the performance of CORDES under the DRR Project was noticeably stronger than that of central ministries implementing disaster-related components financed by multilateral agencies (see Checchi 1987: 21).

Two conclusions emerge from these comparisons. First, some mode of decentralization is an operational necessity in Peru. Second, despite all of their problems, the track records of CORDES (and PRODERINs) in implementing rural public works under the IRD Project and especially in implementing disaster components under the DRR Project compare favorably with those of central agencies implementing similar types of donor-supported projects.

3.4 Mobilization and Management of Resources

Since the mid-1950s decentralization initiatives in Peru have emphasized financial transfers from the central government rather than mobilization of resources in the provinces (see Section 1.3). USAID projects enhanced the capacities of CORDES to mobilize and manage resources by (1) stimulating local resource mobilization during construction; (2) keeping construction costs in line with those of other agencies; (3) demonstrating and disseminating techniques of investment recuperation; (4) increasing the probability of community-based maintenance efforts; and (5) supporting the first extensive use of rotating credit funds for poor farmers in the country. The IRD Project also has demonstrated that provincial municipalities can significantly increase their tax base.

3.4.1 Local Resource Mobilization During Construction ¹¹

The 1983 and 1985 samples of IRD components and the companion surveys of beneficiaries in the same years show a pattern of high local resource mobilization, especially of labor. The value and rates of local resource contributions were particularly high under the PRODERINs before 1983; they declined to still high levels after the PRODERINs were integrated into the CORDES. The generally greater decline in Cajamarca also may be attributable to reduced incentives related to the food-for-work program in that department.

In Cajamarca, where food-for-work was employed, community resource contributions accounted for 29 percent of the total cost of IRD components in 1983 and 16 percent in 1985. Moreover, while most IRD-supported components benefited more than one community, the local contribution to single community Rural Development Support (PADRU) components was 85 percent in the 1983 sample and 76 percent in the 1985 sample. In the 1983 survey 93 percent of all irrigation and 92 percent of all road beneficiaries in Cajamarca reported labor contributions during construction. In the 1985 survey the corresponding percentages were 57 percent for irrigation and 89 percent for road beneficiaries. Data on material and cash contributions also are included in the 1985 survey. In that year 20 percent of irrigation and 17 percent of road beneficiaries reported donations of materials; 6 percent of irrigation beneficiaries reported cash contributions; and 31 percent of irrigation and 33 percent of road beneficiaries reported other types of contributions.

In Junin, there is a major discrepancy between the value of local labor contributions recorded by PRODERINs and other implementing agencies--which are much lower than those in Cajamarca--and rates of labor contribution reported by project beneficiaries--which generally are higher than those for Cajamarca. Community resource contributions were recorded as only 4 percent in 1983 and 6 percent in 1985, well below the corresponding figures for Cajamarca given above. Nevertheless, in Junin higher proportions of irrigation and road beneficiaries--100 and 95 percent respectively--reported labor donations in 1983. In 1985 the corresponding figures are 83 percent for irrigation beneficiaries and 69 percent for road beneficiaries; the former rate being higher than in Cajamarca, the latter rate being lower. Since communities in Junin have a well-deserved reputation

¹¹ The discussion under this heading draws on French et al. (1983: especially 87, 93, 104, 107, and 116-118) and Hatch et al. (1985: especially 2-3, 20, 27, 30, 34, 36, 40, 45-46, 48, and 51).

for being the most progressive in the Peruvian sierra (see Long and Roberts 1978), this discrepancy is probably attributable to differences in record keeping by implementing agencies in the two departments. Records on community contributions were less important in Junin, where food-for-work was not used.

The more developed Department of Junin also had higher rates of non-labor contributions: in 1985 47 percent of irrigation and road beneficiaries reported donations of materials; and 45 percent of irrigation and 58 percent of road beneficiaries reported cash or other types of contributions.

In both departments, beneficiaries of electricity components financed by the KMTDF contributed cash, labor, and materials during construction, but the small number of components examined in the 1983 and 1985 surveys precludes more extensive analysis.

Assessment of the DRR Project's role in mobilizing local resources is not possible, because relevant data were not collected by the project's reporting system (see Checchi 1987: 15).

3.4.2 Cost Effectiveness During Construction

Analysis of two samples of components implemented in Cajamarca and Junin by various agencies shed some light on the IRD Project's contribution to cost effectiveness.¹² Although small samples and some marked differences in the characteristics of the components within each category prevent precise comparisons, generally speaking IRD-sponsored components implemented through PRODERINs had cost/benefit ratios which compare favorably with components constructed by other agencies. In Junin, PRODERIN irrigation components cost about the same per hectare, but benefited three to eight times as many families per unit of cost as those built by PLAN MERIS, a USAID-supported project implemented through a central government agency specializing in irrigation works. The 1983 data indicate a similar pattern for irrigation components in Cajamarca, if expenses for food assistance and community resource contributions are deducted from total costs.¹³ New roads built by PRODERIN-Junin were more cost effective than those constructed by CORDE-Junin, especially

¹² See French et al. (1983: 87-96) and Hatch et al. (1985: 8-23).

¹³ The 1985 data do not permit reliable cost-per-hectare comparisons in Cajamarca (Hatch et al. 1985: 15).

in the 1983 sample. The net costs of PRODERIN-Cajamarca's road components per kilometer constructed were also lower than those of CORDE-Cajamarca in both samples.

During the DRR Project's initial emergency phase the urgency of restoring critical economic infrastructure and eliminating threats to public health took precedence over controlling costs. Often the CORDES took provisional measures which were wiped out by subsequent surges of flooding or later replaced with more definitive structures. Thus, components built during the early stages of the DRR Project tended to cost more than comparable non-disaster components. Efficiency increased over the life of the project, as the disasters subsided, less urgent components were implemented, and the project developed procedures to control costs and quality (see Section 2.3.2). Overall comparison with non-disaster components indicates that DRR costs were at the very least reasonable for reconstruction work (see Checchi 1987: 10-11).

The ability of CORDES to compute their costs and procurement needs under the government's system of cost indexation (formulas polinomicas), increased as a result of training provided by the IRD's PATC-CORDES and direct technical assistance obtained through the DRR Project. CORDES thus became less vulnerable to manipulation of the system by contractors.

3.4.3 Investment Recuperation After Construction

One of the main achievements of the IRD Project was the introduction of the concepts of investment recuperation through loan repayment, assessments for improvements, and user fees. Such different modes of investment recuperation potentially can increase the financial independence of decentralized organizations and contribute to more self-sustaining development. Initially unpopular, these concepts have gained increasing acceptance as CORDES and municipalities search for ways to improve their resource base in the current context of economic austerity.

Although hindered by implementation delays largely caused by a central agency, the experience of the Key Market Town Development Fund under the IRD Project demonstrates the willingness of even poor Peruvians to finance components of immediate benefit to them. In September, 1986 eight components had entered the cost recovery stage. Unfortunately, data on loan repayment were not available a half year later, due to the continued lethargy of the Housing Bank.

Under the IRD Project, CORDE-Junin took the lead in researching the feasibility of various mechanisms of investment recuperation in the Peruvian legal and institutional context. Later supported by PATC-CORDES and presented at a national seminar in Huancayo in May, 1985, this research developed concrete proposals regarding the delineation of investment and recuperation responsibilities among various public agencies, specific modes of cost recovery to be used for each type of investment, and modes of administration (see Palomino 1985). In 1986, PATC-CORDES followed up this policy research by initiating a pilot program of cost recovery in La Libertad.

While some CORDES have begun to make assessments for improvements and to charge users fees, national laws and regulations continue to undermine their ability to recover investments. As discussed in Section 1.4.1, most major infrastructure constructed by CORDES must be turned over to a national agency upon completion. Although the burden of maintaining regional and local roads has been dumped on the CORDES, the ministries have resisted losing control over infrastructure with significant possibilities for investment recuperation. Moreover, in those areas where cost recovery through improvement assessments or user fees is possible--street paving, markets, slaughterhouses, industrial parks, and similar works--any sums generated and not spent within the fiscal year revert to the national treasury.

3.4.4 Maintenance

As in most Third World countries, agencies implementing rural public works in Peru seldom if ever have adequate resources for maintenance. Unfortunately, the PRODERINs and CORDES which implemented IRD-sponsored components are no exception. Only 3 of 12 irrigation components and 5 of 13 road components in the 1985 sample received any maintenance support whatsoever from the implementing agency (Hatch et al. 1985: 49, 51). It must be remembered that national level agencies had legal responsibility for maintaining both irrigation and roads components when these surveys were taken. In November, 1985 the Ministry of Transportation and Communications transferred maintenance responsibilities for regional highways and local roads to the CORDES, which did not receive any increase in resources to undertake these new tasks.

Nevertheless, by consulting with local people, encouraging local resource contributions, and helping to create a local organizational capability for maintenance during the construction phase (see Section 3.5.1), the IRD Project appears to have contributed to relatively successful mainte-

nance efforts by local people. While the absence of a control group prevents rigorous comparisons, the rates and effectiveness of local maintenance efforts reported in the 1985 survey of IRD beneficiaries would appear high to most people familiar with rural Peru, especially when one bears in mind that most IRD components have beneficiaries in more than one community. In that survey 48 percent of respondents in Cajamarca and 78 percent in Junin reported contributing labor to canal maintenance tasks.¹⁴ In Cajamarca 7 percent of irrigation beneficiaries reported making cash contributions and 41 percent reported making other types of donations to maintenance. Comparable figures on non-labor contributions to irrigation maintenance in Junin are not available. Of road beneficiaries in the same survey, 71 percent in Cajamarca and 54 percent in Junin reported labor contributions to maintenance; 24 percent in Cajamarca and 19 percent in Junin reported donations of materials; 4 percent in Cajamarca and 27 percent in Junin reported donations of cash or other materials.

In Cajamarca, 81 percent of beneficiaries reported that their irrigation component was well-maintained, while 73 percent said that maintenance levels of their road component was at least acceptable. Beneficiary satisfaction with maintenance was considerably lower in Junin, where 81 percent of irrigation and 58 percent of road beneficiaries gave their component a good or adequate ranking. These lower ratings were partially due to the fact that some of the components surveyed in the latter department had not been completed--a circumstance beyond the control of local maintenance committees. These figures are in line with the opinion of the USAID engineer who supervised rural public works under the IRD Project. He estimated that locally-managed maintenance is adequate for about 70 percent of all IRD components--a rate much higher than the norm in rural Peru.

The apparent connection between local participation in construction and community-based maintenance of IRD components is consistent with experiences from other developing countries. The pattern also is in line with recent statements by President Garcia that more maintenance tasks should be undertaken at the local level.

¹⁴ The figures in this and the next paragraph are drawn from Hatch et al. (1985: especially 27, 30, 36, 40, 49, 51). There is, however, a discrepancy between the data on contributions to irrigation maintenance in Cajamarca presented on pages 27 and 49. The figures presented here were computed by the author on the basis of what seem to be the more reliable raw data on page 27.

3.4.5 Rotating Funds¹⁵

The DRR Project sponsored the first major effort to establish systems of rotating credit and technical assistance in the largely impoverished departments of southern Peru. Mostly implemented by the extension service or agrarian field offices under CORDE supervision, the rotating funds loaned seed, fertilizer, pesticides, and other inputs to peasant farmers, who could repay in cash or in kind.

The rotating funds had considerable success in assisting poor farmers. 80 percent of the loans were made to farmers who had never received credit. In the majority of cases inputs were timely and of at least adequate quality, although beneficiaries complained of inadequate amounts. 62 percent of clients surveyed reported that inputs arrived on time. 52 percent classified input quality as good, 33 percent as adequate, and 12 percent as poor. 41 percent reported that the quantity received was adequate, while 58 percent said that it was insufficient.

A majority of clients received training or technical assistance which they valued. 28 percent received visits every 15 days, 28 percent every month, and 24 percent every two to six months. 48 percent classified the assistance as good, 34 percent as adequate, and 18 percent as poor. 88 percent said that they would continue to use the techniques learned. 61 percent reported that they had improved their economic situation over the previous year.

Although these impact results are promising, the system of rotating credit is far from being institutionalized and sustainable. Administration and supervision are both weak, due to a lack of experience and training. On the average only 21 percent of loans made were amortized, accounting for only 25 percent of the amount lent.

Nevertheless, this experiment was a far better use of USAID money than simple charity. It must be remembered that the funds were initiated as part of an emergency program in the poorest region of the country, parts of which have suffered from terrorist activity in addition to the recent natural disasters. The program gave CORDES invaluable experience in this area and revived a moribund extension program. Moreover, the strong performances of funds in Huancavelica and Tacna demonstrate the plausibility of the approach.

¹⁵ The data presented under this heading are drawn from Lanoa Flores et al. (1986: 1-43), which also provides the basis for most of the analysis.

Given both the problems and potential of rotating funds, PATC-CORDES held a major seminar on the topic in September, 1986 (see PATC-CORDES, 1986). The agency is now working on legal and administrative changes that are a pre-requisite for improved management in this area.

3.4.6 Municipal Finance

Although this study deals with project impacts on CORDES, it also should be noted that the IRD Project's municipal component had some success in increasing the resource base of municipalities. Cadastral work increased the property tax revenue base of pilot provincial councils in Cajamarca and Junin between 500 and 800 percent (Hess 1986: 18). Through the Comprehensive Technical Assistance and Training Program for Municipalities (ATI) in the National Institute for Municipal Development (INFOM), the IRD Project extended its efforts in revenue generation to selected municipalities of varying sizes throughout the country. Available evidence indicates that the program has helped to increase actual revenues generated at the local level. Also, the municipal wing of the decentralist lobby, which the IRD Project helped to stimulate, played an important role in the passage of laws providing new and expanded sources of revenue, including the earmarking of a 1 percent value added tax on goods and services for municipalities.

At the request of the Garcia administration, the IRD component for municipalities was extended for two years after completion of the project at the end of 1986. ATI continues to provide technical assistance for revenue generation and other objectives to local governments of varying sizes and capabilities.

3.5 Project Impacts on Other Organizations

The IRD Project reinforced the roles of community-level organizations during construction and maintenance, while available evidence indicates that the DRR Project strengthened PVOs and their working relationships with CORDES. Both projects primarily benefited private farmers, and each had a positive impact on the development of private enterprise in other ways.

3.5.1 Local Organizations ¹⁶

Data on local resource contributions to the construction and maintenance of IRD components, cited above, demonstrate that the project benefited from the strong Andean tradition of self-help and community-level organization. But the IRD Project in turn also had a positive impact on local organizations by reinforcing their role in decision-making and by serving as a catalyst for cooperation among different communities benefiting from a given component.

The signing of implementation agreements and the ratification of these agreements by a community assembly or an open meeting were usually pre-requisites for initiation of an IRD rural works component.¹⁷ During construction benefiting communities organized "pro-irrigation" and "pro-road" committees to facilitate participation in management and resource mobilization. For intercommunity components, which were the norm under the IRD Project, promotores from the PRODERIN or CORDE helped to organize intercommunity committees or work crews. After construction these committees formed a basis for coordinating maintenance within and among communities. All twelve irrigation components in the 1985 survey had a local management committee during construction, and in all but one case a water user group continued to coordinate maintenance (Hatch et al. 1985: 48-49). The same survey found intercommunity work crews to be in charge of maintaining four of seven IRD road components in Cajamarca (Ibid: 30). Although these local organizations have shouldered the brunt of maintenance, some have received loans of machinery and other assistance from the PRODERINS and CORDES.

Most components under the auspices of the IRD Project's KMTDF were initiated at the request of local pro-electrification committees, which also helped to organize community financing. Although some of these committees still exist, the regional electricity companies have assumed responsibility for maintenance of electricity components, a logical choice given their different character. The one non-electricity component financed by the KMTDF--a refrigerated slaughter house--was built for a rural cooperative.

¹⁶ The discussion under this heading is based on Hatch et al. (1985) and on conversations with USAID staff involved in the IRD Project.

¹⁷ These "conditions precedents" appear to have been more rigorously enforced after the mid-term evaluation.

Under the IRD Project CORDES in Cajamarca and Junin also provided significant technical assistance and training to municipalities in their respective departments, but it has not been possible to assess the extent to which this capacity became internalized. Similarly, lack of systematic data prohibit any generalizations about the impacts of the DRR Project on regional and local organizations other than CORDES.

3.5.2 Private Voluntary Organizations^{1*}

Private voluntary organizations (PVOs) played important roles in the DRR Project, especially in administering the food-for-work side of the employment generation components in the south. Their role in housing construction was also important in the north.

Available evidence indicates that the experience of meeting DRR Project requirements significantly strengthened the administrative and technical capacities of PVOs. Moreover, although there was some friction over food distribution between CORDES and PVOs in the south, in general the experience of collaborating toward common objectives strengthened the working relationships between these two types of organizations.

3.5.3 Private Enterprise

Under both the IRD and DRR projects USAID encouraged the development of private enterprise serving the provinces. Independent farmers were the primary beneficiaries of components financed by the RPWF in Cajamarca and Junin and of the DRR Project's rehabilitation efforts in the south. Both projects also provided an impetus to private construction firms, and the IRD Project further stimulated discussion of appropriate collaboration between the public and private sectors.

The DRR Project encouraged CORDES to contract out most types of components to private firms and stimulated the development of process capacities through contracts with private consulting firms (see Section 3.2.4). CORDE-Piura, which had the largest and most successful reconstruction program, primarily used the contract mode.

^{1*} The discussion under this heading is based on Checchi (1987: 21-22), conversations with two PVO managers, and interviews with CORDE officials.

Most electricity components under the IRD Project's KMTDF were contracted out to private firms, as is standard practice in Peru for this type of work. In implementing RPWF-financed components, however, there was a trade-off between the objectives of private enterprise promotion and popular participation. Most rural public works components were implemented by forced account; the high degree of local participation in construction obtained (see Section 3.4.1) would not have been possible if they had been contracted out. In any case, contractors were less interested in these components, given their small to medium scale.

Through its support of research by PATC-CORDES and its role in the policy dialogue (see Section 4.1), IRD Project management stimulated analysis and discussion of different modes of collaboration between CORDES and the private sector (see Hess 1986: 22-25). In two departments, representatives of the private and public sectors have participated in forums on this topic. Virtually all participants in this discussion agree that (1) the private sector in provincial Peru is weak in both entrepreneurial and organizational terms, especially in non-agricultural activities; and (2) CORDES or regional governments can support private sector development by giving private sector representatives roles in investment planning, providing supportive infrastructure, and identifying investment opportunities for private capital.

PATC-CORDES' Office of Basic Analysis and many CORDES further argue that given the weakness of the private sector, corporations or regional governments should (1) promote public or mixed enterprises in critical bottleneck activities whose development would open up opportunities for the private sector; and (2) become involved in securing or providing finance for private firms. USAID is understandably hesitant about supporting these positions, given its commitment to promoting private enterprise, the poor record of public enterprise in Peru, and the limited experience and expertise of CORDES in this area. But to its credit, the mission has assumed a pragmatic attitude vis-a-vis such proposals, rather than dismissing them out of hand. USAID recognizes the obstacles to promoting private enterprise in the provinces. Indeed, to date its efforts in this area have focussed almost exclusively on Lima. Solutions are likely to be heterodox and to arise from the process of addressing real problems, rather than being derived from any simplistic ideological premises.

3.6 Impacts on Economic Development

Both USAID projects undertaken in collaboration with CORDES made positive contributions to Peru's economic devel-

opment. In the case of the IRD Project, such a positive impact was a primary objective. In contrast, the goal of the DRR Project was reconstruction and rehabilitation, rather than economic development per se. Indeed, it could only support components which were disaster-related, although some components could and did contribute to economic development as well.

3.6.1 The IRD Project

IRD-sponsored irrigation components contributed to three main benefits: increased agricultural production, higher livestock production, and the availability of water for domestic use.¹ In Cajamarca data from the 1983 survey show that IRD components resulted in a 77 percent increase in the number of families with access to irrigation water and an average 25 percent increase in the area cultivated by families who had previously irrigated. Overall, the area under cultivation increased by 43 percent. Gains in yields of irrigated crops ranged from 50 to 100 percent, while 43 percent of the respondents reported that irrigation allowed them to plant more than one crop per year. 82 percent of the respondents to the 1983 survey reported increased crop production from increases in cultivated area, greater yields, or multiple cropping; 28 percent improved drinking water supplies for humans and animals; and 28 percent benefits from food assistance during construction.

In 1985 22 percent of Cajamarca respondents who farmed reported increases in the area cultivated, but yield increments were minimal. Nevertheless, 60 percent of the respondents reported some increase in crop production. In addition, 28 percent reported livestock improvements, 15 percent more reliable domestic water supply, and 55 percent some other benefit. 13 percent--all from an uncompleted component--reported no benefits. 61 percent of the respondents anticipated continuing or future increases in crop production, 15 percent greater livestock production, and 58 percent some other benefit.

In Junin 65 percent of respondents to the 1983 survey reported that the IRD component enabled them to irrigate for the first time, as the area under cultivation expanded by 43 percent. 44 percent of the farmers planting potatoes

¹ Data on the impacts of IRD irrigation components are drawn or calculated from French et al. (1983: 102-104, 116-117) and Hatch et al. (1985: 28-30, 36-38, 49-50). Percentages do not add up to 100, since some respondents listed more than one benefit.

achieved yield increases averaging 91 percent. 45 percent reported increased agricultural production, 22 percent multiple cropping, and 43 percent improvements in cattle production.

In 1985 45 percent of the Junin respondents reported no benefit because their component had not yet been completed, but the remaining responses indicate considerable economic impact. While no significant increases in the area under cultivation were reported in this year, 47 percent of the respondents said that they had achieved greater use of multiple cropping. Significant yield increases were reported for potatoes, corn, and broadbeans, although these were achieved by only a few farmers. 54 percent of all respondents anticipated improvements related to livestock production or dairying, 36 percent improved employment opportunities, and 30 percent improved income.

A number of factors may account for the generally lower production gains from irrigation between the two surveys: differences in sample, lower marginal increases among and within irrigation components over time, and the severe 1983-1984 drought years. Moreover, it should be emphasized that in many cases greater complementary resources such as production credit and marketing assistance are needed to take advantage of increased water supply (see Hatch et al. 1985: 49, 51).

IRD road components made transportation of farm production and other goods faster and less expensive, stimulated commercial activity, and provided rural communities with access to improved or additional services.²⁰

In 1982 69 percent of beneficiaries from IRD road components in Cajamarca reported improved community or market access, 24 percent new health services, 22 percent increased commercial transactions, 21 percent improved transportation services for marketed produce, 20 percent increased sales of farm produce within the community, 15 percent food assistance during construction, and 14 percent better educational and health services. In the same year 70 percent of respondents in Junin reported that the road components permitted the initiation of motorized transport for farm products. Other benefits cited in Junin were more frequent passenger traffic to and from the communities by 42 percent; initiation of a local market day by 18 percent; improved supplies of farm inputs by 15 percent; higher income and savings by

²⁰ Data on the impacts of IRD road components in this and the next two paragraphs are drawn or calculated from French et al. (1983: 104-107, 112-116) and Hatch et al. (1985: 30-33, 40-43, and 52).

16 percent; increased availability of essential goods by 14 percent; new stores by 13 percent; and increased commercial transactions with neighboring communities by 10 percent.

The 1985 surveys contain more complete information on project benefits in both departments. In Cajamarca 76 percent of all respondents reported less time spent on traveling to market, with an average saving of 1 hour forty minutes. In Junin 63 percent of all respondents reported saving up to 4 hours in traveling to market; another 10 percent now save 4 to 10 hours. Transport costs for all components in Cajamarca declined by an average 2.24 times, while in Junin transport costs on four roads fell by an average of 4.5 times.

Despite drought-related declines in production in 1984, increased marketing of agricultural production was evident in areas served by new IRD components in both departments. In Cajamarca, 51 percent of all potato farmers, 47 percent of all wheat growers, and 37 percent of barley growers reported sales increases which on average were significant. In Junin increased sales--on the average of significant magnitude--were reported by 65 percent of all potato farmers on various roads, all pea and barley growers on the Colca road, all corn farmers and 88 percent of coffee producers on the Tingo route, and 45 percent of all olluco cultivators on the Comas road. In Cajamarca significant percentages of the respondents also reported that the components stimulated new or better services from clergy, teachers, doctors, and public employees.

The limited evidence available suggests that street lighting and residential connections were the primary benefits of electricity components (see French et al. 1983: 34-35, 45-46; Hatch et al. 1985: 118-119). In one of the three available cases, however, most respondents had purchased electric machinery for home workshops. In the other two cases, residents anticipated the stimulation of small industry.

3.6.2 The DRR Project²¹

In the flood-ravaged departments of the north, the DRR Project was successful in restoring damaged economic infrastructure--roads, irrigation works, and electrical systems--upon which agricultural production and distribution

²¹ Discussion under this heading is based on Checchi (1987: especially 15, 17, 18-19, 51-52) and additional data supplied by USAID/Peru.

depend. For example, in the Department of Piura the 1983 floods virtually wiped out agricultural production and irrigation infrastructure. In the less than nine months between the end of the rains and the beginning of the 1984 planting season, 148.2 kilometers of badly clogged canals were cleared, 123 irrigation structures were rehabilitated, 95.7 kilometers of canal access roads were re-opened, and 233,446 cubic meters of material were moved to protect intake points. By the 1984 planting season 88,273 hectares--over four fifths of the pre-flood total--were back into production. Eventually, in Piura alone the project restored 16 roads whose cumulative length is over 300 km. (255 km. of which are asphalt), four major bridges, and electrical service to 22 communities.

Similar results were obtained in other northern departments. While restoration of the region's productive base may not be considered to be economic development in a strict sense, it certainly was a pre-requisite for sustained development in the future. Likewise, restoration of water and sewerage systems removed health hazards detrimental to future development. Although the project also completed components with less impact on economic development, such as street repaving and housing reconstruction, these were accorded lowest priority. In sum, the project's reconstruction efforts in the north were prioritized with developmental criteria in mind, and completion of high priority components was a pre-requisite for future economic development.

Given the different character of the drought in the south, analytical distinctions among relief, rehabilitation, and economic development were often blurred in practice. Indeed, over time a given component might be the means to all three objectives. Bearing in mind these conceptual difficulties and the limited data on DRR impacts, it appears that the project was generally successful in providing relief and rehabilitation, which--as in the case of the reconstruction efforts in the north--are necessary for future development. Efforts to support components with a high direct impact on economic development seem to have been less successful.

In the estimation of the DRR final evaluation team, the project was substantially successful in increasing employment and food available to drought victims through investments in public works components. No evaluations or data on direct feeding activities administered by the PVOs are available.

The project was also reasonably successful in restoring agricultural production in the south. The 1982/1983 potato crop was substantially lost as the result of the drought;

then late rains and seed shortages reduced the 1983/1984 crop to about half of the normal amount. Between the 1983/1984 and 1983/1984 agricultural cycles USAID used funds from PL 480 Title II and the DRR Project to distribute seed through PVOs and private contractors. This effort greatly alleviated the seed shortage in time for the planting season, although some of the contractors, PVOs, and authorities in charge of distribution did not perform well. The timing and amount of rains during 1984/1985 portended an-above average crop, but the harvest was slightly below normal due to some continued shortages in seed.

Irrigation components emphasizing maintenance, repair, or modest improvements in existing systems appear to have been relatively successful. For example, in the Department of Puno, rapid attention to the rehabilitation of motorized pumps and other deteriorated irrigation infrastructure put 2,307 hectares into production at the height of the drought in 1983.

On the other hand, new irrigation works having a higher developmental potential appear to have been less successful. The DRR final evaluation team found incidents of irrigation canals constructed in inappropriate places, some sections of major components which may be too expensive to complete, and cases where well-constructed components probably will not be used by communities. These shortcomings, however, were not due to intrinsic deficiencies of USAID management or the CORDES, but rather to the project's fast track approach which reduced available time for technical studies and undercut the potential for community participation in design and follow-up. The final evaluation team recommended a separate system of sub-project management, if not a different project, for newer, more developmentally-oriented components were similar reconstruction and rehabilitation efforts to take place in the future.

The shortcomings of new irrigation components in the south should be put in perspective. The DRR Project had a remarkable record of going beyond its primary objective of reconstruction and rehabilitation to make additional positive contributions to economic and institutional development. The new irrigation components appear to be the only major area in which it overreached. While USAID was quite conscious of the additional risks in this area, it considered them to be worth taking. With the benefit of hindsight this judgment appears incorrect, but it was well within reason and the goals of the project.

4.0 CHANGING NATIONAL-LEVEL CONSTRAINTS: THE DONOR AS CATALYST

The previous section has shown that the DRR and IRD Projects insulated CORDES from many external constraints while helping to increase their capabilities. But it also follows from the preceding analysis that the institutional impacts of these projects were likely to be only temporary and limited unless the external constraints inhibiting CORDE development could be ameliorated or eliminated. For this very reason, USAID attempted to promote more permanent institutional reform by (1) drawing on project experiences to propose remedies for specific constraints encountered during the course of implementation; and (2) sponsoring applied research on decentralization topics in an attempt to enrich and influence the policy dialogue on these issues.

This policy of encouraging and supporting institutional reform complemented the more direct capacity-building measures examined in the previous section. On the one hand, capacity-building measures quickly ran into obstacles which could only be removed by addressing external constraints. On the other hand, it was difficult to make the case against these external constraints unless one could point to some increased capabilities achieved within existing parameters. Moreover, the viability of broader institutional reform rested on the strength of the "decentralist lobby," which grew out of the programmatic experiences of the IRD and DRR Projects, and on satisfying certain short-term political pressures through capacity-building activities.

The first sub-section below describes USAID's support for basic policy research. Subsequent sub-sections then examine the impacts of USAID-supported efforts to achieve institutional reform. This review begins with the most incremental type of reform effort--attempts to make central organizations more sensitive to the needs of CORDES. Attention then turns to budget reform, microregional planning, and other areas in which substantial legal changes were necessary. Finally, the most comprehensive proposals are examined--a new basic law for CORDES and the basic law for regional governments.

4.1 Applied Research and the Policy Dialogue¹

Anticipating a window of opportunity for institutional change after national elections in April, 1985 and the inauguration of a new president the following July, USAID/Peru mission management during June and July of 1984 developed a strategy for linking research on decentralization issues to the policy dialogue. The mission sought (1) to use the best available minds to generate a broad base of knowledge from which policy positions could be developed; and (2) to ensure that potential linkages between decentralization and such USAID concerns as good management, private sector development, and democracy were considered in the dialogue. This strategy was implemented by using Program Development and Support (PD&S) funds to sponsor research, publications, seminars and workshops through grants and direct contracts;² and by providing operational support to PATC-CORDES' Office of Basic Analysis through the IRD Project. Most research was written up in Spanish; significant research in English was promptly translated.

Research began in July, 1984 as Peruvian and foreign advisors working for the IRD Project drafted Decentralization Policy Dialogue Issue Papers which examined the historical context of decentralization, regional planning, private and public financial mechanisms, administrative decentralization, local community participation in development, and municipal government. These papers were then edited and synthesized into a coherent package, "Decentralization: The Next Five Years," completed in March, 1985. This initial work provided a foundation on which subsequent research could build.

In order to stimulate creative discussion on decentralization-related issues in a context not dominated by any political party, interest group, or government agency, USAID provided a grant to a private research institute, the Peruvian Center for Regional Development Studies (CER) in 1985. In March of that year CER sponsored a workshop, which was attended by experts from universities and research institutes, practitioners from the public administration, and representatives of the major political parties. CER then edited the working papers prepared for the workshop in light of the discussion which they generated. The edited papers were grouped in four preliminary volumes dealing with (1) the overall structure and management of decentralized gov-

¹ This section draws heavily on Hess (1986, especially pp. 10-17). See also Franco (1986: 111-113).

² See Hess 1986 for a list of PD&S sponsored publications.

ernment; (2) decentralized planning; (3) decentralized financial and budgeting systems; and (4) appropriate levels and jurisdictions for decentralization. The major conclusions from these volumes were presented at a seminar in June, 1985. Final editions were then published the following August and September for general sale. In April, 1986 CER held a seminar on decentralization of the development finance system, which was attended by key figures from the public and private sectors.

While CER provided an important alternative channel for discussion and dissemination, PATC-CORDES' Office of Basic Analysis undertook and published applied research on a number of issues related to the policy dialogue, including legal reforms needed to strengthen CORDES and implement regional governments; decentralized finance; planning and budgeting organization; modes of contracting; personnel systems; sources of international financial and technical assistance; resource generation and cost recovery; investment prioritization; enterprise promotion; microregional development; inter-agency and inter-governmental relations; and popular participation. These studies were broadly disseminated to public and private organizations. Much of this work was synthesized in a book published for sale to the general public by CER.

USAID also contracted other studies related to decentralization, including an interim analysis assessing the institutional impacts of the DRR Project; final evaluations of the IRD and DRR Projects; an examination of the incoming APRA government's approach to decentralization; an analysis of some of the pre-1980 decentralization experiments in Peru; a major study of municipal development elaborated with data from an INFOM survey; and a retrospective look at the strategy employed by PATC-CORDES during the second Belaunde administration.

The mission also provided support to two policy institutes located in the provinces: the Institute of Applied Research for Decentralization (ILADER) in Huancayo and the Center for Social Studies and Promotion (CEPS) in Puno. ILADER, which was founded in late 1984, has held several important seminars on microregional development, the APRA government's approach to decentralization, municipal finance and administration, and irrigation projects in the sierra. It has published significant work on linkages between local organizations and CORDES/regional governments and the use of urban cadastres. Through its support for these research institutes and the training of young professionals in Cajamarca and Junin under the IRD Project, the mission has addressed one of the ironies of decentralization in Peru: most of the significant policy research on the issue has emanated from organizations in Lima, where intellectual resources are concentrated.

Although under the Belaunde administration municipalities benefited from two successive municipal laws in 1981 and 1984, the leadership of INFOM was largely aloof from the process of legal reform. Toward the end of the IRD Project, however, INFOM and ATI became more active in efforts to increase municipal revenues (see Section 3.4.6), and to define the roles of municipalities in microregional government and intersectoral coordination.

4.2 The Limits of Persuasion and Coordination

Although most of PATC-CORDES' efforts to achieve institutional reform necessarily involved lobbying for legal changes before Congress, where possible the agency attempted to persuade other organizations to make changes in their administrative regulations, policies, or operating practices that would help CORDES or be of mutual benefit. Negotiations of this sort took place with two types of organizations: central ministries or agencies in charge of administrative procedures, such as the MEF, the INP, and INAP; and the field offices of central ministries or agencies in charge of implementing substantive programs.

PATC-CORDES' Office of Training attempted to use the rich experience and information generated through "hands on" training and technical assistance as a basis for proposed modifications to existing regulations and laws in such areas as personnel, procurement, and the system for cost indexing (formulas polinomicas.) One especially innovative strategy employed by the Office of Training was recruitment of instructors from the central offices responsible for the various procedures. The aim was to "sensitize" central officials to the difficulty of complying with many uniform national regulations in the provinces and to win their support for needed changes. In at least one case upon returning to Lima from teaching a course, the instructor/central bureaucrat issued a directive simplifying administrative procedures.

Such success, however, was the exception, rather than the rule for two major reasons. First, although under the jurisdictions of different head offices in Lima, most administrative systems are interdependent: changes in one system presume modification of one or more of the others (see Franco 1986: 140). Attempts to achieve significant change through "sensitization" must convert a number of key officials in various offices at the same time, and even then the problems of coordinating coherent reform would be formidable. Second, the agencies in charge of administrative systems derive much of their political power and indeed their *raison d'etre* from control over these regulations. It is

highly unlikely that such organizational interest can be overcome through individual conversions alone. Significant changes in the budget process were achieved only when negotiations with the MEF were accompanied by an intense lobbying effort before Congress (see Section 4.3). Although justified by applied research undertaken by PATC-CORDES, exemption of microregional offices from government procurement regulations reflects their high priority under the Garcia government (see Sections 1.1 and 4.4).

CORDES had greater success in winning recognition as the "guiding entities" in their departments within existing legal constraints and in strengthening their working relationships with field offices of central ministries and agencies. The DRR management's performance-oriented philosophy increased incentives for mutually beneficial collaboration between CORDES and resource-starved field offices, thus ameliorating problems of horizontal coordination at the regional level. Within each department most DRR sub-projects could be implemented through CORDES or field offices of central agencies, and--contrary to the conventional wisdom that additional agencies can only complicate and slow down implementation--DRR management encouraged inter-agency collaboration. CORDES often signed agreements for DRR sub-projects to be implemented by field offices, while the latter frequently provided the former with some influence over sectoral policy. For example, in most departments in the southern sierra the greater part of the budget in the agricultural sector has been financed by the DRR Project through CORDES. In a few instances, employees from the field offices were detailed to CORDES.

There also has been some success in reducing the overlap in responsibilities for different kinds of public investments. PATC-CORDES sponsored research on this issue in conjunction with its efforts to promote investment recuperation (see Palomino 1985). At a February, 1987 meeting agreements delineating responsibilities for electricity and potable water were reached between CORDES and field offices in a number of departments.

The Garcia administration has stressed greater coordination between CORDES and field offices. In June, 1986 a presidential directive gave CORDE presidents authority to convene coordinating meetings of the public sector in their respective departments. At the request of PATC-CORDES and the MIPRE, in 1987 President Garcia held nationally televised meetings to review past and current development programs in each department. Attended by representatives of the public and private sectors, these meetings generally reinforced the CORDES' role as the "guiding entities" of their respective departments vis-a-vis the field offices. On the other hand, the president's charismatic personality, his de-

sire to push his own priorities, and his impatience for results at times have worked against CORDE autonomy.

Nevertheless, even when there is good will and strong political support from the top, subservience to vertical ministerial hierarchies has placed severe limits on the ability of field offices to coordinate their activities with CORDES. Even at the microregional level where presidential support has been the strongest, problems of horizontal coordination continue to impede program success.

4.3 Budget Reform³

PATC-CORDES served as a catalyst for changes in the budgeting system which have increased the predictability of funding for CORDES and their microregional offices, as well as their autonomy and programming flexibility

On the basis of preliminary discussions with some key CORDE officials and its own experiences, PATC-CORDES presented a platform of proposed budgetary reforms to the 1984 annual meeting of CORDE managers, which approved it with some slight changes. PATC-CORDES and CORDE representatives then lobbied for changes before the Bicameral Budget Committee of Congress during the debate over the 1985 budget law, but little was achieved during this round of the budget. With input from the CORDES, the INP, and the PMS, PATC-CORDES then revised and updated the platform, incorporating a set of proposals dealing with microregions in light of the new Garcia government's priorities. In 1985 this lobby presented the revised package to the MEF and the Bicameral Committee, obtaining some significant changes in the 1986 budget law that favored CORDES and microregions. Additional progress in this direction was made in 1987.

The first major area of change has been modification of central programming and disbursement procedures in order to increase the predictability of CORDE funding. Before 1986 commitment schedules (calendarios de compromisos) were drawn up by the Ministry of Economics and Finance (MEF) on a monthly basis at the level of projects.⁴ Amounts committed were almost always less than those requested by the CORDES;

³ This section is based on Franco (1986: 117-127), Law 24422, and conversations with current Peruvian officials.

⁴ A "project" in the Peruvian budget usually groups similar components in a province--for example "Irrigation Works in the Province of Cajabamba." Thus, it is equivalent to what USAID/Peru usually calls a "sub-project."

further cuts were often made during authorization (autorización de giros). Furthermore, there were usually delays in both the commitment and authorization processes. These policies made a mockery of the budget process and severely limited the ability of CORDES to achieve coherent programming.

The 1986 budget law established a trimonthly commitment schedule by source of finance at the level of the CORDES. A subsequent MEF regulation allows CORDES to draw up and modify commitment schedules for specific investments within global ceilings. Moreover, in order to prevent arbitrary reductions or curtailments of disbursements as in the past, the MEF must propose any revisions to Congress. Article 20 of the law further states that disbursements to CORDES must be in line with the overall amounts established in the commitment schedule. While CORDES are still subject to monthly sub-ceilings established in the authorization process, the trimonthly commitment system and related modifications have increased the predictability of their funding and the flexibility of their programming.

A second significant change, announced in the 1986 presidential address, is that CORDES now enjoy greater autonomy in the selection of their investments. CORDES still depend on transfers from the central government, but Congress no longer attempts to determine specific investments. While they must abide by certain centrally-determined programming procedures and follow general priorities established by the INP, the selection of specific components is now the prerogative of the CORDES.

In addition, CORDES have gained greater flexibility in the reprogramming of their investments. Before 1986 all reprogramming had to be approved by a law or supreme decree, depending on provisions stipulated in the annual budget law. In the 1986 law CORDES gained authority to reprogram funds within projects and any amounts left over from completed projects. Reallocation from uncompleted projects became only slightly more flexible, requiring the approval of the Budget Bureau in the MEF, the INP, and Bicameral Budget Committee. In the 1987 budget law, however, CORDES gained authority to transfer amounts among budgetary lines, after only informing central institutions.

4.4 Microregions⁵

For reasons discussed in Section 1.1, the Garcia administration has emphasized a microregional approach to decentralization. Drawing on the experiences of the IRD and DRR projects as well as on the applied policy research sponsored by USAID, PATC-CORDES and the PMS have helped to operationalize this approach.

On the basis of experiences gained through the IRD Project and the DRR-supported PMS, PATC-CORDES and the PMS undertook applied research on microregionalization before the July, 1985 change in government. This research and similar work completed by the INP served as the basis for the September, 1985 Supreme Decree which outlines the microregional planning structure and identifies priority microregions. In accordance with this decree, CORDES established microregional programs under officials designated by the corporation, while central ministries and agencies deconcentrated personnel, resources, and programming authority to the microregional level. Intersectoral microregional committees were formed to coordinate the actions of the public sector, while the population was represented through a Microregional Development Council, composed of municipal officials, representatives of peasant and native communities, and delegates from cooperatives.

The decree also established a fund for priority microregions to be administered by the Special Project for the Development of Microregions in Economic and Social Emergency (PEDMEES). Led by ex-PMS personnel, PEDMEES has drawn on IRD and DRR Project experiences to establish a system for combining financial transfers and supportive technical assistance.

The new government's enthusiasm inclined it to promote rapid microregionalization throughout the country on a crash basis, a recipe for administrative chaos and failure that would have discredited decentralization. The influence of PATC-CORDES and the PMS was especially crucial in the framing of a more cautious approach. During 1986, 39 out of the 136 identified microregions received support from PEDMEES; in 1987 this number increased to 53. PEDMEES plans to continue this pattern of gradual expansion.

PATC-CORDES, the INP, and the PMS also secured a series of measures in the 1986 budget law which favor the priority microregions. In order to avoid potential bottlenecks cre-

⁵ This sub-section is based on Franco (1986: 121-127, 136-139) and interviews with Peruvian officials.

ated by the CORDES' weak administrative offices, microregional offices in priority areas became autonomous budgetary execution units. Transfers within projects at the microregional level are subject only to approval of the microregional office, while those between projects require the approval of the CORDE president. In order to make work at the microregional level more attractive, the law allowed exemptions to normal salary scales and personnel practices; regulations to this effect were issued in May, 1986. The priority microregions also were exempted from standard Peruvian government procurement regulations, which are unrealistic for rural areas. Subsequent regulations made it easier to procure from local suppliers. The law also facilitated implementation agreements between CORDES or their microregional offices and peasant or native communities by allowing expenditures to be documented on the basis of sworn affidavits by community officials.

The 1987 budget further increased the status of priority microregions from budgetary execution units to budgetary programs. Moreover, in order to increase possibilities for collaboration between the microregional offices and the ministerial field offices, each sector established budgetary accounts in its field offices serving the priority microregions.

4.5 Legal Reforms in Other Areas

PATC-CORDES also attempted to achieve specific legal reforms in other areas: planning, natural resource royalties, public enterprise promotion, and reform of administrative regulations affecting investments in public works.

On the basis of a proposal from PATC-CORDES, the government issued a decree which strengthened CORDE planning offices. PATC-CORDES' proposals regarding the natural resource royalty law (Ley de Bases de Canon) influenced the provisions on this issue in the Basic Law of Regionalization (see Section 4.6).

Although under Law 23,339 CORDES can form and manage public enterprises in principle, they would be on shaky legal ground until administrative regulations are issued. PATC-CORDES drafted a supreme decree to regulate enterprise promotion by the CORDES, but as of this writing it had not been promulgated due to the Belaunde government's efforts to reduce the state's role in the economy and uncharacteristic indecisiveness on the part of the Garcia administration. In making its case, PATC-CORDES has argued that CORDES would support firms that are small-scale, labor-intensive, and linked to the regional economies, and thus would be qualita-

tively and quantitatively different from those in Peru's inefficient parastatal sector.

PATC-CORDES also drafted a proposed General Law of Public Works, which included sweeping changes in the systems of procurement, contracting, disbursements, and other administrative systems (see Franco 1986: 132-135). This proposal was forwarded to the higher levels of the MIPRE, where it has languished due to lack of political support. Although the proposed law is probably too ambitious to actually be approved in the foreseeable future, its dissemination helped to change the terms of debate over central regulations. Before PATC-CORDES, the burden of proof was always on the CORDES to demonstrate that relaxation of central controls would not lead to waste and corruption. After research undertaken and disseminated by PATC-CORDES, central agencies are increasingly on the defensive, having to show that their regulations are a means to some end, and not mere ends in themselves.

4.6 Comprehensive Reform Efforts

While seeking specific changes through persuasion, coordination, or focused legal reform, PATC-CORDES also was involved in the drafting of two proposed comprehensive reform laws.

The first of these proposed laws, the Basic Law of Regionalization, provides a framework for regional governments. It was passed by the Senate at the end of the Belaunde administration, but further action was delayed at the request of President-elect Garcia, who wanted time to study the proposal. Acting in personal capacities, officials from PATC-CORDES and the PMS served as advisors on this topic to the relevant congressional committees, the presidential transition team, and the president-elect himself.

Meanwhile, well aware of the failure of previous regionalization efforts (see especially Sections 1.3.3 and 1.4.2), during the first three months of 1985 PATC-CORDES officials had drafted a back-up option--the Organic Law of Departmental Development Corporations--which would have corrected a number of weaknesses in Law 23,339. Among other things, this proposed law included provisions for the incorporation of ministerial field offices along the lines of the ORDE model; a more democratic assembly; a larger share of the national budget; more predictable transfers from the central government; greater authority to generate resources; autonomy in selecting investments; flexibility in administrative procedures; and a well-defined role in enterprise promotion. The proposal was debated during the first meetings of the

new aprista cabinet in August and September of 1985 and rejected by virtually all of the ministers, who did not want to lose their new authority.

During the first year of the Garcia administration, officials from PATC-CORDES and the PMS, as well as former officials from these agencies who had moved to the INP, continued to advise the government at the highest levels. Revised to give greater weight to micro-regional planning and to permit the formation of regions on the basis of existing departments, the Basic Law of Regionalization was passed by Congress as Law 24,650 in early 1987 and promulgated by President Garcia on March 19, 1987.

The role of regional governments cannot be accurately predicted on the basis of the Constitution or Law 24,650. Many details are left to the laws establishing specific regional governments and other legislation. Moreover, certain provisions in Law 24,650 could be used by central agencies to subvert the regional governments. It is, however, accurate to say that the law provides for entities which are much more democratic and representative than CORDES, and gives them a much stronger legal and political basis for resisting central incursions.

The regional governments embody the principle of general devolution: incorporating the field offices of most central ministries and agencies, they will have primary responsibility for economic development and social services within their jurisdictions. Each regional government may pass laws on matters outlined in its founding legislation or specifically delegated to it by Congress. These laws, however, may be vetoed by the president of the republic. Regional governments are supposed to adhere to sectoral policies set by the ministries, however, compliance is compulsory only when specified in a national law or presidential decree.

The Constitution and Law 24,650 provide for a number of possible sources of finance--including progressively increasing transfers from the national government; taxes on natural resources in the region; regional taxes; proceeds from services, investment recuperation, and improvement assessments; internal credit; and profits of affiliated public firms. Transfers from the central government and twenty percent of the natural resource tax will be channeled through a Regional Compensation Fund, modeled on the FNDE (see Section 1.3.1) and designed to ameliorate interregional disparities.

The law specifies that regional governments will have budgetary autonomy, except for transfers that are earmarked for a specific purpose and projects of national importance delegated to them. The national Congress may change amounts

transferred, but not line items. The budgeting process must follow national guidelines.

Regional assemblies will be composed of representatives elected by direct suffrage, indirectly through municipal elections, and by interest associations. In a major departure from previous departmental organizations, whose membership was biased in favor of urban areas, the weight of rural interest associations in the assembly is to reflect the percentage of rural population in the region. The assembly will elect the executive body, the Regional Council.

The system of microregions initiated by the Garcia administration (see Section 4.4) is codified in the law. Local governments are to play a strong role through the regional assemblies and the microregions.

5.0 SUMMARY AND CONCLUSIONS

The IRD and DRR Projects were both complicated efforts undertaken in a very complex and shifting environment. This part of the study has attempted to do justice to both the Peruvian context and the projects by describing and analyzing them and their interactions in considerable detail. It is now appropriate to stand back from the trees and to view the main outlines of the forest that are most relevant for the comparative analysis in Part II.

Despite tremendous changes in the Peruvian political system over time, there are some consistent patterns in decentralization. Politics generally has not been organized along ethnic or regional lines; instead, national and local power typically have been linked and mutually reinforcing. Throughout Peruvian history many political actors have given rhetorical support to decentralization, but few if any have been willing to actually invest political resources to support its various modes. Indeed, some sort of external "shock" or exogenous factor, such as a natural disaster or regime transition, has been necessary to stimulate decentralizing initiatives.

Although decentralization usually has lacked sustained political support, economic and social trends have made it an enduring political and policy concern since the mid-1950s. Each successive government since 1956 has established development organizations at the departmental or regional levels, with varying objectives and degrees of success. Military regimes emphasized deconcentration, while elected democratic governments placed greater emphasis on devolution. Regardless of regime-type, however, there is a correlation between the strength and programmatic unity of the governing coalition and its ability to implement decentralization policies. Decentralization initiatives have come during the first year or two of presidential administrations, when coalitions typically are strongest and most united.

Although regime-type and coalitions have tended to have fluctuating impacts on the mode and feasibility of decentralization, the centralization and sectoralization of the state during the 1968-1975 period have made it much more difficult to devolve or deconcentrate authority and resources to departmental or regional levels. Contemporary Departmental Development Corporations (CORDES) are evolving in a very different context than the pre-1968 corporations on which they are modeled.

USAID collaboration with CORDES began in 1979 under the Integrated Regional Development (IRD) Project--initially a

small, pilot effort to test an urban-rural linkage strategy in two departments of the sierra--and was greatly expanded under the Disaster Relief, Rehabilitation, and Reconstruction (DRR) Project--which had the objective of supporting recovery from the drought and floods of 1983. Although their objectives and scale were quite different, both projects employed similar design features: (1) support for project-related units serving CORDES, which were established within national-level agencies; (2) central funds for sub-projects and components meeting project criteria; (3) supportive technical assistance; and (4) project management units within CORDES.

Through supportive linkages, timely disbursements, and technical assistance, the two projects had positive direct institutional impacts on CORDES by insulating them from central constraints, increasing their capabilities, and influencing their orientations. Both projects increased the administrative and technical capabilities of CORDES and supportive national-level organizations, while stimulating a more flexible, problem-oriented style of management. CORDES working with the two projects were more responsive to needs of the provincial population and efficient in implementing components serving these needs than central government agencies collaborating with other donor-supported projects. Within parameters imposed by national legal and regulatory constraints, USAID projects also enhanced CORDE capabilities for resource mobilization and management. The projects strengthened interorganizational networks at the regional and local levels; reinforced the private sector; made positive contributions to Peru's economic development; and reached economically and socially disadvantaged groups.

Although the IRD and DRR Projects significantly improved CORDE capabilities, their impacts probably would have only been temporary or quite limited in scope without the amelioration of external constraints hindering CORDE development. Anticipating a window of opportunity around the 1985 presidential election, USAID made a conscious effort to link project experience to institutional reform by sponsoring applied research on decentralization issues relevant to the policy dialogue. Proposals developed through this research were articulated by a decentralist lobby which in large part grew out of the IRD and DRR Project experiences. This effort has enjoyed some significant successes in winning budgetary reforms that give CORDES more predictable funding and greater autonomy; influencing the structure and operation of microregions; and shaping the new system of regional governments.

Part II draws on the arguments and evidence presented above to critically examine some key issues and working hypotheses identified in the recent literature on decentrali-

zation in developing countries. Given the richness of the Peruvian case, it is also possible to formulate a number of alternative and supplementary hypotheses, which could help advance the state-of-the-art to a higher level.

REFERENCES CITED

Acosta Villar, Diodoro.

- 1984 "Sobre el Plan Nacional de Regionalizacion." In Carlos Delgado Medina, ed., La Critica del centralismo y la cuestion regional, pp. 327-335. Lima: Centro de Documentacion e Informacion Andina.

Alberti, Giorgio and Sanchez, Rodrigo.

- 1974 Poder y conflicto en el valle del Mantaro. Lima: Instituto de Estudios Peruanos.

Aldrich, Howard E.

- 1979 Organizations and Environments. Englewood Cliffs, N.J.: Prentice Hall.

Althaus Guarderas, Jaime de

- 1986 Realidad de la municipalidades en el Peru: Bases para una politica de descentralizacion y fortalecimiento municipal. Lima: Instituto Latinoamericano de Promocion Comunal y Municipal and Fundacion Friedrich Ebert.

Amat y Leon, Carlos.

- 1986a "Diagnostico: el desarrollo desigual de las regiones del Peru." In Carlos Amat y Leon Chavez and Luis Bustamante Belaunde, eds., Lecturas sobre la regionalizacion, pp. 13-68. Segunda Edicion. Lima: Centro de Investigacion de la Universidad del Pacifico.

Amat y Leon, Carlos.

- 1986b "Propuestas para la regionalizacion entendida como estrategia de desarrollo." In Carlos Amat y Leon Chavez and Luis Bustamante Belaunde, eds., Lecturas sobre la regionalizacion, pp. 207-233. Segunda Edicion. Lima: Centro de Investigacion de la Universidad del Pacifico.

Anderson, Charles W.

- 1967 Politics and Economic Change in Latin America. New York: Van Nostrand Reinhold.

Astiz, Carlos A.

1969 Pressure Groups and Power Elites in Peruvian Politics. Ithaca: Cornell University Press.

Ayres, Robert L.

1984 Banking on the Poor: The World Bank and World Poverty. Cambridge: MIT Press.

Basadre, Jorge.

1931 Peru: Problema y posibilidad. Lima: Libreria Francesa Cientifica y Casa Editorial E. Rosay.

Basadre, Jorge.

1947 La multitud, la ciudad y el campo en la historia del Peru. (Segunda edicion). Lima: Editorial Huascarán S.A.

Basadre, Jorge.

1968 Historia de la Republica del Peru 1822-1933. Sexta edicion aumentada y corregida. 17 Volumes. Lima: Editorial Universitaria.

Basadre, Jorge.

1980 Elecciones y centralismo en el Peru. (Apuntes para un esquema historico). Lima: Centro de Investigacion de la Universidad del Pacifico.

Belaunde, Victor Andres.

1940 La crisis presente 1914-1939. Lima: Ediciones Mercurio Peruano.

Belaunde, Victor Andres.

1945 La realidad nacional. Segunda edicion. Lima: Ediciones Mercurio Peruano.

Belaunde, Victor Andres.

1957 Peruanidad. Segunda Edicion. Lima: Ediciones Libreria Studium.

Beyna, L. et al.

1977 Managing Decentralization: An Annotated Bibliography. Maxwell School Development Management Series 1. Syracuse: Syracuse University.

Bremer, Jennifer Ann.

- 1984 "Building Institutional Capacity for Policy Analysis: An Alternative Approach to Sustainability." Public Administration and Development 4: 1-13.

Bromley, Ray.

- 1985 "Una evaluacion critica de tres programas nacionales de descentralizacion y participacion popular: El Fondo Nacional de Desarrollo Economico, la Primera Cooperacion Popular y SINAMOS." Lima: USAID/Peru.

Brush, Stephen B.

- 1977 Mountain, Field, and Family: The Economy and Human Ecology of an Andean Valley. University of Pennsylvania Press.

Bryant, Coralie and White, Louise G.

- 1982 Managing Development in the Third World. Boulder: Westview Press.

Burga, Manuel and Flores Galindo, Alberto.

- 1980 Apogeo y crisis de la republica aristocrata. (Oligarquia, aprismo y comunismo en el Peru 1895-1932). Lima: Ediciones Rikchay Peru.

Bustamante Belaunde, Luis.

- 1986 "La regionalizacion y la constitucion de 1979." In Carlos Amat y Leon Chavez and Luis Bustamante Belaunde, eds., Lecturas sobre la regionalizacion, pp. 263-314. Segunda Edicion. Lima: Centro de Investigacion de la Universidad del Pacifico.

Cabieses, Hugo; Kruijt, D.; Lizarraga, R.; and Vellinga, M.

- 1982 Industrialization and Regional Development in Peru. Incidentele Publicaties 23. Amsterdam: Center for Latin American Research and Documentation (CEDLA).

Capunay Mimbela, Carlos.

- 1942 "Historia del presupuesto nacional desde 1821 a 1899." Revista de la Facultad de Ciencias Economicas no. 23 (Abril): 67-116.

Caravedo Molinari, Baltazar.

- N.D. "El problema del centralismo en el Peru republicano." (Mimeographed.)

Caravedo Molinari, Baltazar.

- 1979 "Poder central y descentralizacion: Peru, 1931." Apuntes 5, 9: 111-129.

Caravedo Molinari, Baltazar.

- 1983 El problema del descentralismo. Lima: Centro de Investigacion de la Universidad del Pacifico.

Chambers, Robert.

- 1978 "Project Selection for Poverty-Focused Rural Development: Simple is Optimal." World Development 6 (25): 209-219.

Checchi and Company Consulting, Inc.

- 1987 "Evaluation of the Peruvian Flood/Drought Rehabilitation and Construction Program 1983-1987. Final Report. Washington, D.C.

Cheema, G. Shabbir and Rondinelli, Dennis A., eds.

- 1983 Decentralization and Development: Policy Implementation in Developing Countries. Beverly Hills: Sage Publications.

Chetwynd, Eric; Hatch, J.; Hammergren, L.; Johnson, R.;

Rondinelli, D; and Salinas, P.

- 1985 "Integrated Regional Development: Final Evaluation." Lima: USAID.

Conyers, Diana.

- 1983 "Decentralization: The Latest Fad in Development Administration?," Public Administration and Development 3: 97-109.

Conyers, Diana.

- 1984 "Decentralization and Development: A Review of the Literature." Public Administration and Development 4: 187-197.

Cotler, Julio.

1978 Clases, estado y nacion en el Peru. Lima: Instituto de Estudios Peruanos.

Dew, Edward.

1969 Politics in the Altiplano. Austin: University of Texas Press.

Dietz, Henry A.

1980 Poverty and Problem-Solving under Military Rule: The Urban Poor in Lima, Peru. Austin: University of Texas Press.

Dillon, Paul.

1986 Sistema de priorizacion de inversiones. 2da Edicion. Lima: PATC-CORDES.

Fesler, James W.

1968 "Centralization and Decentralization." In David L. Sills, ed., International Encyclopedia of the Social Sciences, Vol. 2, pp. 370-379. The Macmillan Company and The Free Press.

Fitzgerald, E.V.K.

1979 The Political Economy of Peru 1956-1978. Cambridge: Cambridge University Press.

FNDE (Fondo Nacional de Desarrollo Economico).

1970 Presupuesto Funcional 1970. Pliego Fondo Nacional de Desarrollo Economico. Lima.

Franco, Ignacio.

1986 "Algunos problemas cuyas soluciones estan fuera del alcance de las Corporaciones Departamentales de Desarrollo y que han obstaculizado su gestion." Lima: USAID/Peru.

French, Jerome; Lindenburg, M.; Gomez, F.J.; Mann, L.;

Austin, A.; Baanante, J.; Hatch, J.; Lanao, A.; Cornejo,

W; and Arce, A.

1983 "Evaluation of the Integrated Regional Development Project." Lima, USAID.

Frohlich, Norman and Oppenheimer, Joe A.

1978 Modern Political Economy. Englewood Cliffs, N.J.: Prentice Hall.

Gall, Pirie M.

1983 Local Government Trends and Performance: Assessment of AID's Involvement in Latin America. A.I.D. Evaluation Special Study No. 17. Washington, USAID.

GAO (U.S. General Accounting Office).

1983 A Troubled Project--Rural Water Systems and Environmental Sanitation in Peru. GAO/ID-83-42. Washington, D.C.

GAO (U.S. General Accounting Office).

1985 Report to the Administrator, Agency for International Development: AID Recognizes Need to Improve the Foreign Economic Assistance Planning and Programming Process. GAO/NSIAD-85-110. Washington, D.C.

GAO (U.S. General Accounting Office).

1986 Time-Critical Aid: Disaster Reconstruction Assistance--A Better Delivery System is Needed. GAO/NSIAD-87-1. Washington, D.C.

Garzon, Jose.

1986 "Centralization, Decentralization, and the State in Southern Peru." Ph. D Dissertation, University of California at Berkeley.

Gow, David D. and VanSant, Jerry.

1985 "Decentralization and Participation: Concepts in Need of Implementation Strategies." In Elliott R. Morss and David D. Gow, eds., Implementing Rural Development Projects: Lessons from AID and World Bank Experiences, pp. 107-147. Boulder, Colorado: Westview Press.

Hammergren, Linn Ann.

1974 "Politics in the Periphery; A Study of National Integration and the Development of Local Political Organization." Ph. D Thesis, University of Wisconsin.

Hammergren, Linn Ann.

- 1985 "Institutional Development in the CORDES." Annex B in Eric Chetwynd et al., "Integrated Regional Development: Final Evaluation." Lima: USAID.

Harris, Richard L.

- 1983 "Centralization and Decentralization in Latin America." In G. Shabbir Cheema and Dennis A. Rondinelli, eds., Decentralization and Development: Policy Implementation in Developing Countries, pp. 183-202. Beverly Hills: Sage Publications.

Hatch, John K.; Lanao Flores, A.; Cornejo, W.; Arce, R.; and Arce, J.

- 1985 "An Evaluation of Rural Development Projects in the Departments of Cajamarca and Junin-Peru; Their Cost Effectiveness and Community Impact. Bethesda, New York, and Lima: Rural Development Services, Inc.

Hess, David.

- 1986 "Decentralization in Peru: USAID/Peru Contribution to the National Policy Dialogue 1984-1986." Lima: USAID/Peru.

Hirsh, Michael H.

- 1987 "Project Assistance Completion Report. Peru: Disaster Relief, Rehabilitation, and Reconstruction Project (527-0277)." Lima: USAID/Peru.

Honadle, George H. and VanSant, Jerry.

- 1985 Implementation for Sustainability: Lessons from Integrated Rural Development. West Hartford Connecticut: Kumarian Press.

Iguiniz, Javier; Paniagua, V.; Vasquez, C.; and Tabor, P.

- 1986 "El descentralismo en las propuestas de plan de gobierno 1985-1990." In Alfredo Stecher S., ed., Descentralizacion y desarrollo regional, pp. 257-297. Lima: Asociacion Nacional de Centros de Investigacion Promocion Social y Desarrollo.

INADE (National Development Institute).

1985 Revolucion desarrollista en democracia: memoria 1980-1985. Lima. INADE

INE (National Institute of Statistics).

1986 Mapa Politico del Peru. Lima.

INP (National Planning Institute).

1980a Analisis comparativo entre Corporaciones y Juntas Departamentales de Desarrollo y Organismos de Desarrollo. Lima.

INP (National Planning Institute).

1980b Compendio de legislacion regional. Lima.

INP (National Planning Institute).

1983 Programa integral de rehabilitacion y reconstruccion de las zonas afectadas por los desastres de la naturaleza. 3 Volumes. Lima.

Johnson, Twig; Hammergren, L.; Berry, E.; Landmann, R.;

Cohen, J.; and Adler, R.

1983 The Impact of PL 480 Title I in Peru: Food as an Effective Development Resource. A.I.D. Project Impact Evaluation No. 47. Washington, USAID.

King, Dwight Y.

1982 "Bilateral Development Assistance in Indonesia." Jakarta: American Embassy.

Korten, David C.

1980 "Community Organization and Rural Development: A Learning Process Approach." Public Administration Review 40 (5): 480-511.

Korten, David C.

1983 Learning From Field Experience: Institutional Development and the Dynamics of the Policy Process. NASPAA Working Paper No. 7. Washington: National Association of Schools of Public Affairs and Administration and U.S. Agency for International Development, Bureau for Science and Technology, Office of Rural Development and Development Administration.

Korten, David C. and Uphoff, Norman T.

- 1981 Bureaucratic Reorientation for Participatory Development. NASPAA Working Paper No. 1. Washington: National Association of Schools of Public Affairs and Administration and U.S. Agency for International Development, Bureau for Science and Technology, Office of Rural Development and Development Administration.

Lanao Flores, A.; Salinas Ortiz, J.; Cornejo Munoz, W.;

Lanao Flores, I.; Arce Puican, J.; and Lanao Flores, R.

- 1986 "Evaluacion de los subproyectos PIRR implementados como fondos rotatorios." Lima: Lanao Flores Consultores.

Lele, Uma.

- 1975 The Design of Rural Development: Lessons from Africa. Baltimore: The Johns Hopkins University Press.

Leonard, David K.

- 1982 "Analyzing the Organizational Requirements for Serving the Rural Poor." In David K. Leonard and Dale Rogers Marshall, eds., Institutions of Rural Development for the Poor: Decentralization and Organizational Linkages. Berkeley: Institute of International Studies, University of California.

Leonard, David K.

- 1983 "Interorganizational Linkages for Decentralized Rural Development: Overcoming Administrative Weakness." In G. Shabbir Cheema and Dennis A. Rondinelli, eds., Decentralization and Development: Policy Implementation in Developing Countries, pp. 271-293. Beverly Hills: Sage Publications.

Leonard, David K. and Marshall, Dale Rogers.

- 1982 Institutions of Rural Development for the Poor: Decentralization and Organizational Linkages. Berkeley: Institute of International Studies, University of California.

Lindblom, Charles.

1965 The Intelligence of Democracy: Decision-Making Through Mutual Adjustment. New York: Free Press.

Long, Norman and Roberts, Bryan.

1978 Peasant Cooperation and Capitalist Expansion in Central Peru. Austin: Institute of Latin American Studies, The University of Texas at Austin.

Lovon Zavala, Gerardo and Vega Ganoza, Juan Fernando.

1980? Notas sobre la dinamica del Cuzco 1950-1980. Cuzco: Centro de las Casas.

LRAP (Local Revenue Administration Project).

1984 "Syracuse University Technical Assistance to the Integrated Regional Development Project (Peru) Final Report." Syracuse, N.Y.: Syracuse University, Maxwell School of Citizenship and Public Affairs.

Mariategui, Jose Carlos.

1944 7 Ensayos de interpretacion de la realidad peruana. Segunda edicion. Lima: Biblioteca Amauta.

Mathur, Kuldeep.

1983 "Administrative Decentralization in Asia." In G. Shabbir Cheema and Dennis A. Rondinelli, eds., Decentralization and Development: Policy Implementation in Developing Countries, pp. 59-76. Beverly Hills: Sage Publications.

McQueen, Charles A.

1925 "Peruvian Public Finance." Report Submitted by Bureau of Foreign and Domestic Commerce, Department of Commerce, to Hon. Herbert Hoover, Secretary of Commerce, December 21, 1925.

MEF (Ministry of Economics and Finance).

1980 "Proyectos sectoriales consolidados por fuentes de financiamiento." Lima.

Miller, Rory.

1982 "The Coastal Elite and Peruvian Politics, 1895-1919." Journal of Latin American Studies 14 (May): 97-120.

- Moncada, L.; Collins, D.; Cordon, O.; and Faigenblum, J.
- 1985 "Progress Evaluation of the Rural Water Systems and Environmental Sanitation Project: Peru." WASH Field Report No. 134. Washington: Water and Sanitation for Health Project.
- Morgan, E. Philip.
- 1980 "Managing Development Assistance: Some Efforts With Special Attention to Southern Africa." SADEX 2 (1): 1-17.
- Morgan, E. Philip.
- 1983 "The Project Orthodoxy in Development: Re-evaluating the Cutting Edge." Public Administration and Development 3: 329-339.
- Morss, Elliott R. and Gow, David D.
- 1985 Implementing Rural Development Projects: Lessons From AID and World Bank Experiences. Boulder, Colorado: Westview Press.
- Nellis, John R.
- 1983 "Decentralization in North Africa: Problems of Policy Implementation." In G. Shabbir Cheema and Dennis A. Rondinelli, eds., Decentralization and Development: Policy Implementation in Developing Countries, pp. 127-182. Beverly Hills: Sage Publications.
- Olson, Mancur.
- 1965 The Logic of Collective Action. Cambridge: Harvard University Press.
- Ortiz de Zevallos, Felipe.
- 1984 "La actividad empresarial del estado peruano." In Carlos Zuzunaga Florez, ed. Las empresas publicas en el Peru. pp. 99-136. Lima: Centro Peruano de Investigacion Aplicada, Banco Central de Reserva del Peru, Instituto de Estudios Latinoamericanos de la Universidad de Texas en Austin, Fundacion Friedrich Ebert.
- Oviedo, Juan.
- 1961 Coleccion de leyes, decretos y ordenes publicadas (sic) en el Peru desde el ano de 1821 hasta 31 de

Diciembre de 1859. Lima: Felipe Baily editor;
Libreria Central, 1861.

Painter, Michael; Fitch, J.; Merschrod, K.; and Molina, M.

1985 "Improved Water and Land Use in the Sierra (Plan MERIS) Final Evaluation." Lima.

Palomino, Oscar.

1985 Financiamiento interno de CORDES y municipios via recuperacion de inversiones: Bases para una discusion. Lima: PATC-CORDES.

Pareja Paz Soldan, Jose.

1954 Las constituciones del Peru. Madrid: Ediciones Cultura Hispanica.

PATC-CORDES (Technical Assistance and Training Program for Departmental Development Corporations).

1986 Informe Final Seminario-Taller Apoyo Creditario al Sector Agropecuario Marginal a Traves de Fondos Rotatorios. Lima.

Peru.

1956- Cuenta General de la Republica.
1983. Exact title, issuing agency, and publisher vary.

Peru.

1979 Constitucion Politica del Peru. Lima.

Ponce A., Ana and Vallenias, Sandra.

N.D. Cambios fundamentales en la ocupacion del territorio y migracion interna en el Peru. Serie: Publicaciones Previas. Sub-Area de Poblacion No. 3. Lima: Publicaciones CISEPA, Pontificia Universidad Catolica del Peru.

Romero, Emilio.

1949 Historia economica del Peru. Buenos Aires: Editorial Sudamericana.

Rondinelli, Dennis A.

1981 "Government Decentralization in Comparative Perspective: Theory and Practice in Developing

Countries." International Review of Administrative Science 47, 2 (1981): 133-145.

Rondinelli, Dennis A.

1982 "The Dilemma of Development Administration: Complexity and Uncertainty in Control-Oriented Bureaucracies." World Politics XXXV (1): 43-72.

Rondinelli, Dennis A.

1983a "Decentralization of Development Administration in East Africa." In G. Shabbir Cheema and Dennis A. Rondinelli, eds., Decentralization and Development: Policy Implementation in Developing Countries, pp. 77-125. Beverly Hills: Sage Publications.

Rondinelli, Dennis A.

1983b Development Projects as Policy Experiments: An Adaptive Approach to Development Administration. New York: Methuen.

Rondinelli, Dennis A.

1985 Applied Methods of Regional Analysis: The Spatial Dimensions of Developmental Policy. Boulder, Colorado: Westview Press.

Rondinelli, Dennis A. and Nellis, John R.

1986 "Assessing Decentralization Policies in Developing Countries: The Case for Cautious Optimism." Development Policy Review 4: 3-23.

Rondinelli, Dennis A.; Nellis, John R.; and Cheema, G.

Shabbir.

1984 Decentralization in Developing Countries: Review of Recent Experiences. World Bank Staff Working Papers, no. 581. Washington.

Rondinelli, Dennis A. and Ruddle, Kenneth

1978 Urbanization and Rural Development: A Spatial Strategy for Equitable Growth. New York: Praeger.

Rondinelli, Dennis A. and Salinas, Patricia Wilson.

- 1985 "Regional Planning in the IRD Project." Annex A in Eric Chetwynd et al., "Integrated Regional Development: Final Evaluation." Lima: USAID.

Roush, James; Avalos, J.; Kusterer, K.; Rodriguez, J.; and Stone, P.

- 1984 "Management Assessment of Andean Relief Activities: Draft Final Report." Prepared for Office of Development Resources, Bureau of Latin America and the Caribbean, Agency for International Development by Checchi and Company, Washington D.C.

Samaniego, Carlos.

- 1978 "Peasant Communities at the Turn of the Century and the Rise of the Independent Farmer." In Peasant Cooperation and Capitalist Expansion in Central Peru. Edited by Norman Long and Bryan R. Roberts. Austin: Institute of Latin American Studies, The University of Texas at Austin, Latin American Monographs no. 46.

Schmidt, Gregory D.

- 1985 "USAID Assistance and Departmental Development Corporations in Peru: Context, Project Experiences, and Future Prospects." Report Prepared for USAID-Peru Under Purchase Order DR-50-85. Lima: August 9, 1985.

Schmidt, Gregory D.

- 1987 State, Society, and the Policy Process: Planning, Decentralization, and Public Investment in Peru, 1956-1980. Ithaca, N.Y.: Cornell University Latin American Studies Program.

Seoane, Manuel.

- 1957 Obras apristas de 1931 a 1948. Lima: Empresa Editora EETSA.

Skidmore, Thomas E. and Smith, Peter H.

- 1984 Modern Latin America. New York: Oxford University Press.

Smith, William E.; Lethem, Francis J.; and Thoolen, Ben A.

1980 The Design of Organizations for Rural Development Projects: A Progress Report. World Bank Staff Working Paper, Number 375. Washington: The World Bank.

Strachan, Harry W.

1978 "Side-Effects of Planning in the Aid Control System." World Development 6: 467-478.

Tendler, Judith.

1975 Inside Foreign Aid. Baltimore: The Johns Hopkins University Press.

Thomas, Vinod.

1978 The Measurement of Spatial Differences in Poverty: The Case of Peru. World Bank Staff Working Papers, no. 273. Washington.

Thomson, James T.; Connerley, Ed; and Wunsch, James S.

1986 "Decentralized Finance and Management for Development." A Concept Paper Prepared for the Office of Rural and Institutional Development, Bureau for Science and Technology, U.S. Agency for International Development." Washington, D.C.

Uphoff, Norman T.

1986 Local Institutional Development: An Analytical Sourcebook With Cases. West Hartford, Connecticut: Kumarian Press.

USAID (United States Agency for International Development).

1979 Peru Project Paper: Integrated Regional Development. Washington D.C.

USAID (United States Agency for International Development).

1983a A.I.D. Policy Paper: Institutional Development. Bureau for Program and Policy Coordination. Washington D.C.

USAID (United States Agency for International Development).

1983b "Peru Project Paper: Disaster Relief and Rehabilitation." Washington, D.C.

Veliz, Claudio.

1980 The Centralist Tradition of Latin America.
Princeton: Princeton University Press.

Villaran, Manuel Vicente.

1918 "Costumbres electorales." Mercurio Peruano I, no.
1 (Julio): 11-19.

Werlich, David.

1978 Peru: A Short History. Carbondale: Southern Il-
linois Press.

Whyte, William Foote and Alberti, Giorgio.

1976 Power, Politics and Progress: Social Change in
Rural Peru. New York: Elsevier Scientific Pub-
lishing Co., Inc.

Wilkinson, John L.; McKean, C.; Meyer, R.; Nunberg, B.;

Weil, C.; and Martinez, H.

1984 Peru: Improved Water and Land Use in the Sierra.
A.I.D. Project Impact Evaluation No. 47. Wash-
ington, USAID.